FORM SC 14D9/A

Tender offer solicitation / recommendation statements filed under Rule 14d-9 [amend]

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SUBJECT COMPANY

GENENTECH INC CIK:**318771**| IRS No.: **942347624** | State of Incorp.:**DE** | Fiscal Year End: **1231** Type: **SC 14D9/A** | Act: **34** | File No.: **005-32488** | Film No.: **09674224** SIC: **2834** Pharmaceutical preparations	Mailing Address *1 DNA WAY* *.* *SOUTH SAN FRANCISCO CA 94080*	Business Address *1 DNA WAY* *SOUTH SAN FRANCISCO CA 94080* *650-225-1000*

FILED BY

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14D-9
Solicitation/Recommendation Statement
Under Section 14(d)(4) of the Securities Exchange Act of 1934
(Amendment No. 5)

GENENTECH, INC.
(Name of Subject Company)

GENENTECH, INC.
(Name of Person Filing Statement)

Common Stock, par value $0.02 per share
(Title of Class of Securities)

368710406
(CUSIP Number of Class of Securities)

Sean A. Johnston
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(Name, address and telephone number of person authorized to receive notices and communications on behalf of the persons filing statement)

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☐ Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

This Amendment No. 5 to the Solicitation/Recommendation Statement on Schedule 14D-9 is being refiled due to printer error in the transmission of the filing.

This Amendment No. 5 to the Solicitation/Recommendation Statement on Schedule 14D-9 (the "**Schedule 14D-9**") amends and supplements the Schedule 14D-9 originally filed by Genentech, Inc., a Delaware corporation (the "**Company**"), with the Securities and Exchange Commission (the "**SEC**") on February 23, 2009, as amended, relating to the tender offer commenced by Roche Investments USA Inc. ("**Roche Investments**") pursuant to which Roche Investments has offered to purchase all the outstanding Common Stock, par value $0.02 per share (the "**Shares**") of the Company not owned by Roche Holding Ltd ("**Roche Holding**" and together with its affiliates (excluding the Company and its subsidiaries) and Roche Investments, "**Roche**"), upon the terms and conditions set forth in the Offer to Purchase dated February 9, 2009, and the related Letter of Transmittal (which together with the Offer to Purchase and any amendments or supplements thereto, collectively, constitute the "**Offer**") contained in the Schedule TO filed by Roche Investments with the SEC on February 9, 2009, as amended (the "**Schedule TO**"). Capitalized terms used but not defined herein have the meaning ascribed to them in the Schedule 14D-9.

On March 12, 2009, the Company entered into an Agreement and Plan of Merger with Roche Holdings, Inc. and Roche Investments (the "**Merger Agreement**") and related Guarantee by Roche Holding for the benefit of the Company (the "**Guarantee**"), pursuant to which Roche agreed to increase the Offer Price to $95.00 per Share (the "**Revised Offer Price**") and to change certain other terms and conditions of the Offer (the "**Revised Offer**") and the Special Committee agreed to recommend, on behalf of the Company, that the Company' s stockholders tender their Shares pursuant to the Revised Offer. See Item 3−Past Contacts, Transactions, Negotiations and Agreements for further information regarding the Merger Agreement.

Item 1. ***Subject Company Information.***

Item 1 is hereby revised and supplemented as follows:

1. The following replaces the second sentence under the section titled "Securities":

As of March 6, 2009, there were 1,053,845,340 Shares issued and outstanding.

2. The following information is added to the end of the section titled "Securities":

The Company has repurchased Shares as follows:

	Number of Shares Repurchased	Average Purchase Price	Minimum Purchase Price	Maximum Purchase Price
First Quarter of 2007	4,537,800	$86.472	$80.711	$89.283
Second Quarter of 2007	3,476,311	$78.842	$73.063	$83.304
Third Quarter of 2007	1,935,910	$76.692	$71.936	$80.008
Fourth Quarter of 2007	3,192,100	$71.842	$66.253	$78.203
First Quarter of 2008[1]	4,166,481	$72.003	$72.003	$72.003
Second Quarter of 2008	3,561,728	$71.905	$67.464	$81.494

Third Quarter of 2008[1]	5,540,956	$90.237	$90.237	$90.237
Fourth Quarter of 2008	296,800	$80.804	$73.145	$88.223

1 The only shares of common stock repurchased during this quarter were purchased pursuant to the Company' s pre-paid stock repurchase program at a fixed price.

The Company has not repurchased any Shares since October 15, 2008.

Item 2. ***Identity and Background of Filing Person.***

Item 2 is hereby revised and supplemented as follows:

1. The following sentence is added to the end of the section titled "– Name and Address":

Please see Schedule A to this Schedule 14D-9 for details regarding the business, background and other information for each of the Company' s executive officers and directors.

Item 3. ***Past Contacts, Transactions, Negotiations and Agreements.***

Item 3 is hereby revised and supplemented as follows:

1. The following section is added to Item 3 after the section titled "−Arrangements Between the Company and Roche – Affiliation Agreement – Business Combination with Roche":

Applicability of Affiliation Agreement in Connection with the Merger Agreement.

Pursuant to the Merger Agreement, effective upon the consummation of the Revised Offer, the Affiliation Agreement will be amended such that the subsequent merger of Roche Investments and the Company (the "**Merger**") will not be subject to the (i) Merger Provisions in the Affiliation Agreement or (ii) the provisions in the Affiliation Agreement which require that Roche or an affiliate of Roche effect a merger with the Company pursuant to the terms set forth in the Affiliation Agreement if Roche or an affiliate of Roche owns, for more than two months, beneficial ownership of Shares in excess of 90% of the outstanding Shares.

2. The following section is added to Item 3 after the section titled "− Arrangements Between the Company and Roche − Tax Sharing Agreement":

Licensing and Marketing Agreement with Hoffman-La Roche.

The Company is a party to a Licensing and Marketing Agreement dated July 1998 related to anti-HER2 antibodies (including Herceptin and pertuzumab) with Hoffmann-La Roche, providing them with exclusive marketing rights outside of the U.S. Under this agreement Hoffman-La Roche funds one-half the global development costs incurred in connection with developing anti-HER2 antibody products under the agreement. Either the Company or Hoffmann-La Roche has the right to "opt-out" of developing an additional indication for a product and would not share the costs or benefits of the additional indication, but could "opt-back-in" within 30 days of the other party' s decision to file for approval of the indication by paying twice what would have been owed for development of the indication if no "opt-out" had occurred. Hoffman-La Roche has also agreed to make royalty payments of 20% on aggregate net sales of a product outside the U.S. up to $500 million in each calendar year and 22.5% on such sales in excess of $500 million in each calendar year.

3. The following section replaces the first paragraph under "− Arrangements between the Company and its Executive Officers, Directors and Affiliates":

For further information with respect to the arrangements between the Company and its executive officers, directors and affiliates described in this Item 3, see Annex C to this Schedule 14D-9 under the headings: "2008 Director Compensation;" "Compensation of Named Executive Officers;" "Grants of Plan-Based Awards in 2008;" "Outstanding Equity Awards at Fiscal Year-End;" "Option Exercises and Stock Vested;" "Non-Qualified Deferred Compensation for 2008;" "Potential Payments Upon Termination or Change-in-Control;" "Elements of Compensation;" "Equity Compensation Plan Information;" and "CEO Compensation."

4. The following sentences replace the second and third sentences under "− Arrangements between the Company and its Executive Officers, Directors and Affiliates − Cash Consideration Payable Pursuant to the Offer":

As of March 6, 2009, the directors and executive officers of the Company beneficially owned in the aggregate 10,879,778 Shares (excluding unvested options to purchase Shares and including vested options to purchase Shares and options that will become vested within 60 days). If the directors and executive officers were to tender all such Shares for purchase pursuant to the Revised Offer and those Shares were accepted for purchase and purchased by Roche, the directors and executive officers would receive an aggregate of $1,033,578,910 in cash, less the applicable exercise price of any vested options that are exercised.

5. The following information replaces the second sentence of the third paragraph and the subsequent table under "− Arrangements between the Company and its Executive Officers, Directors and Affiliates − Severance Plan":

The number of unvested stock options of the Company beneficially held by the executive officers of the Company as of March 6, 2009 is set forth below:

Name of Executive Officers	Number of Unvested Options
Robert Andreatta	35,312
Dr. Hal Barron	76,250
Ian Clark	152,395
Dr. Susan Desmond-Hellman	274,375
David Ebersman	157,135
Stephen Juelsgaard	158,229
Dr. Arthur Levinson	559,062
Dr. Richard Scheller	158,229
Dr. Marc Tessier-Lavigne	112,916
Dr. Patrick Yang	154,155

6. The following information replaces the third sentence of the second paragraph under "− Compensation to Members of the Special Committee":

Certain provisions of the Merger Agreement may also result in the acceleration of unvested options of the Company. For a detailed description of the Merger Agreement and a discussion of how it affects the outstanding options, see Item 3 "–Description of the Merger Agreement" of this Schedule 14D-9.

As of March 6, 2009, the number of unvested stock options beneficially held by the non-employee directors of the Company is set forth below:

Name of Director	Number of Unvested Options
Dr. Herbert Boyer	2,500

Debra Reed	6,250
Dr. Charles Sanders	2,500

7. The following information is added to Item 3 after the section titled "– Arrangements between the Company and its Executive Officers, Directors and Affiliates":

Conflicts of Interest between the Company' s Executive Officers and Directors, Including Members of the Special Committee, and Roche

Other than William M. Burns, Erich Hunziker and Jonathan K. C. Knowles, the Company' s directors who are also officers and employees of Roche, the Company is not aware of any conflicts of interest between any of the Company' s executive officers and directors, including members of the Special Committee, and Roche.

8. The following information is added to the end of Item 3 after the section titled "Compensation to Members of the Special Committee":

Agreements Involving the Company' s Securities

The Company has entered into the following agreements involving its securities: (i) the Affiliation Agreement, which is described in Item 3 of this Schedule 14D-9, (ii) $500 million in unsecured commercial paper notes issued in December 2008, which are not redeemable prior to maturity or subject to voluntary prepayment, and are issued on a discount basis with an effective interest yield of 0.8%, and (iii) on July 18, 2005, the Company sold $500,000,000 in principal amount of the Company' s 4.40% Senior Notes due 2010, $1,000,000,000 in principal amount of the Company' s 4.75% Senior Notes due 2015 and $500,000,000 in principal amount of the Company' s 5.25% Senior Notes due 2035, pursuant to a Purchase Agreement, dated as of July 13, 2005 among the Company and Citigroup Global Markets, Inc. and Goldman, Sachs & Co. and the notes were issued pursuant to an Indenture, dated as of July 18, 2005, between the Company and The Bank of New York, as trustee.

Description of the Merger Agreement

The summary of the material terms of the Merger Agreement and the Guarantee set forth in the Offer to Purchase are incorporated herein by reference. The summary of the Merger Agreement and the Guarantee do not purport to be complete and are qualified in their entirety by reference to the Guarantee and the Merger Agreement, copies of which are filed as exhibits hereto and are incorporated herein by reference.

The Merger Agreement governs the contractual rights between the Company, Roche Investments and Roche Holdings in relation to the Revised Offer and the Merger. The Merger Agreement has been filed as an exhibit hereto to provide stockholders with information regarding the terms of the Merger Agreement and is not intended to modify or supplement any factual disclosures about the Company in the Company' s public reports filed with the SEC. In particular, the Merger Agreement and this summary of terms are not intended to be, and should not be relied upon as, disclosure regarding any facts and circumstances relating to the Company. The representations and warranties contained in the Merger Agreement have been negotiated with the principal purpose of allocating risk between the parties, rather than establishing matters as facts. The representations and warranties may also be subject to a contractual standard of materiality different from those generally applicable to stockholders.

Item 4. ***The Solicitation or Recommendation***

Item 4 is hereby revised and supplemented as follows:

1. The following replaces the first three paragraphs of Item 4 "The Solicitation or Recommendation":

The Company, based upon the unanimous recommendation of the Special Committee, has determined that the Merger Agreement and the transactions contemplated thereby, including the Revised Offer and the Merger, are advisable and fair to and in the best interests of the Company' s stockholders, other than Roche and its affiliates. Accordingly, the Company recommends that the Company' s stockholders accept the Revised Offer and tender their Shares in the Revised Offer and, if stockholder approval is required under Delaware law, adopt the Merger Agreement and the transactions contemplated thereby.

The Special Committee has unanimously determined that the Merger Agreement, and the transactions contemplated by the Merger Agreement, are fair to and in the best interests of the Company' s stockholders, other than Roche and its affiliates. Accordingly, the Special Committee recommends on behalf of the Company that the Company' s stockholders tender their Shares in the Revised Offer and, if required under Delaware law recommend that the Company' s stockholders adopt the Merger Agreement and the transactions contemplated thereby.

2. The following sentence is added after the second sentence in the fourth paragraph under the section "Background of the Offer − Roche Proposes Enhanced Anti-Dilution Rights":

The independent directors did not quantify the value of the Roche Enhanced Anti-Dilution Amendment, but reached the conclusion that the Roche Enhanced Anti-Dilution Amendment had meaningful value after considering the impact of Roche' s potential purchases (which Roche stated it would not make without the Roche Enhanced Anti-Dilution Amendment), on (i) the cost to Roche of a potential acquisition of the Company, (ii) the Company' s financial flexibility by obligating it to make future share repurchases, potentially utilizing cash which might have been used on other investments with a higher rate of return for the Company, (iii) the trading liquidity of the Shares, and (iv) the trading price of the Shares.

3. The following information is added at the end of the second bullet point under the first paragraph of the section titled "Background of the Offer − Efforts to Improve the $89 Per Share Proposal":

(however, Roche indicated it was not interested in pursuing any of the alternative structures suggested by the Special Committee and it would only pursue any alternative transaction structure after the entire acquisition was completed), and

4. The following information is added after the first sentence in the section titled “Background of the Offer − Efforts to Improve the $89 Per Share Proposal − Additional Sources of Value”:

The presentation made by Greenhill to Goldman Sachs was based upon the July 18, 2008 Greenhill presentation, which is set forth in the Offer to Purchase.

5. The following paragraphs are added to the Schedule 14D-9 after the final paragraph under the section titled “Background of the Offer”:

Stockholder Outreach.

On February 24, 2009, the Special Committee held a telephonic meeting with its advisors and management to discuss stockholder and analyst sentiment following the Company’ s filing of the Schedule 14D-9 and the Special Committee’ s recommendation that stockholders reject the Offer.

On February 27, 2009, the Special Committee met telephonically with Latham to discuss the status of the pending litigation in Delaware.

At the Special Committee’ s direction, on March 2, 2009, the Company’ s management hosted its annual presentation to stockholders in New York City. Management presented its perspective on the Company’ s strategic outlook, product pipeline and financial projections. Additionally, management reviewed the importance to Roche of completing the Offer in light of Roche’ s significant strategic and financial dependence on its relationship with the Company.

On March 4, 2009, the Special Committee held a telephonic meeting to discuss stockholder and analyst response to the March 2 stockholder presentation. Goldman Sachs discussed with the Special Committee the feedback it received from stockholders regarding their perceptions of Company value. Also at this meeting, the Special Committee discussed Roche’ s Amendment No. 1 to the Schedule TO filed March 2, 2009.

The $93.00 Offer.

On March 6, 2009, Roche issued a press release announcing a revised offer at an offer price of $93.00 per Share (the “**$93.00 Offer**”) and extended the expiration date for the $93.00 Offer to 12:00 midnight, New York City time, on Friday, March 20, 2009. On that same day, Roche filed amendments to its Tender Offer Statement on Schedule TO to reflect the revised price and amending certain other disclosures related to its Offer.

Also on March 6, the Special Committee met telephonically to discuss the $93.00 Offer. During the course of these discussions, due to the substantial increase in Roche’ s offer price from $86.50 to $93.00, particularly in light of the deterioration of the equity capital markets, the Special Committee concluded that it was an appropriate time to determine if Roche was prepared to enter into price negotiations. As a result, the Special Committee directed Goldman Sachs to contact Greenhill to communicate the Special Committee’ s willingness to engage in constructive negotiations with Roche regarding a price at which the Special Committee would be willing to pursue a transaction if Roche was willing to be flexible on price.

On March 7, 2009, Davis Polk delivered a draft of the Merger Agreement to Latham.

On March 8, 2009, Drs. Sanders and Humer had a series of telephone conversations in which they discussed a price at which the Special Committee would recommend a transaction with Roche pursuant to a negotiated agreement. Dr. Sanders stated his belief that the Special Committee would be willing to support a transaction at a price in the high $90s. At the end of these conversations, Drs. Sanders and Humer agreed that Roche and the Special Committee would be prepared to enter into a transaction pursuant to which Roche would offer to acquire the Shares held by the Company’ s public stockholders at a price of $95.00 per Share.

During the period from March 7 to March 11, 2009, the Special Committee and its advisors negotiated with Roche and its advisors regarding the terms and conditions of the Merger Agreement and related transaction documents. Also during that time, the Special Committee met several times with its advisors and management of the Company and its advisors to discuss developments in the discussions regarding a potential transaction. During the course of these meetings, the Special Committee discussed whether it was in the best interest of the Company' s stockholders, other than Roche and its affiliates, to enter into a transaction which would provide $95.00 per Share to all stockholders, or to not enter into any agreement with Roche but allow stockholders the option to accept, or not accept, the $93.00 Offer. The Special Committee noted, based on investor feedback regarding the $93.00 Offer, that there was a reasonable possibility that the $93.00 Offer would be sufficiently attractive to stockholders that Roche might be able to acquire a majority of the Shares held by the public stockholders at that price. The Special Committee also discussed with its advisors the treatment of non-tendering stockholders, including the provisions of the Affiliation Agreement and the concessions being made by Roche in the litigation in Delaware Chancery Court to enhance the ability of non-tendering stockholders to obtain fair value for their Shares in any subsequent merger transaction with Roche. The Special Committee noted that if Roche owned less than 90% of the Shares after consummation of the $93.00 Offer, non-tendering stockholders had no assurance that Roche would acquire their Shares and if Roche was interested in acquiring their Shares, no assurance as to the price Roche would be prepared to pay. At the end of these discussions, the Special Committee concluded that it was in the best interest of the Company' s stockholders, other than Roche and its affiliates, to enter into an agreement which would allow all stockholders to receive $95.00 per Share (assuming a majority of Shares held by the Company' s public stockholders were tendered into the Revised Offer) rather than allow stockholders the option to accept, or not accept, the $93.00 Offer which would have delivered less value to tendering stockholders and subject non-tendering stockholders to an uncertain future after the conclusion of the $93.00 Offer.

On March 11, 2009, the Special Committee met to consider whether to enter into the Merger Agreement with Roche. At the meeting Latham discussed the Special Committee' s fiduciary duties in connection with deciding to enter into the proposed Merger Agreement and presented a summary of the terms and conditions of the proposed Merger Agreement and related transaction documents.

During the course of the meeting, the Special Committee discussed its decision on December 10, 2008, to inform Roche that $112 per Share was a price at which the Special Committee would be willing to pursue a transaction, and that the Special Committee was prepared to be constructive in negotiations. The Special Committee noted that the $112 per Share was to be a starting point in a negotiation with Roche, and not a firm price, and that the Special Committee' s willingness to be constructive in negotiations was intended to communicate to Roche that the $112 per Share was a starting point. As described in "− Reasons for the Recommendation of the Company," the Special Committee also noted that since December 2008 there has been a significant deterioration in the financial markets which had a number of consequences, including: creating a larger disparity between current trading prices of equity securities and historical valuations; creating a larger disparity between current multiples of equity securities and historical multiples; reducing stock prices for other biotechnology and pharmaceutical companies, in particular since the current administration' s budget proposal, which emphasized reducing health care costs; and decreasing expectations from the Company' s stockholders with respect to the price that could be received in a transaction with Roche, despite comprehensive new disclosures from the Company regarding its business prospects.

For example, during the period from December 9, 2008 to March 9, 2009, the NASDAQ Biotechnology Index and the S&P 500 Index declined by 11.1% and 24.8% respectively. The share price for the top 20 largest U.S. companies by market capitalization had declined by an average of 20.3% and a median of 20.0%. Also, according to the most recently published research analyst reports, deal price speculation declined from an average of $104 per Share on December 10, 2008 to $96 per Share on March 10, 2009. During its discussions with Goldman Sachs, the Special Committee noted that applying the 13.7% average decline over the prior three months in a composite index of large capitalization biotech companies (composed of Amgen, Biogen Idec, Celgene, Genzyme, and Gilead) to the $112 per Share price which the Special Committee viewed in mid-December 2008 as a starting point of negotiations, would result in an imputed price of approximately $96.65 per Share. As a result, the Special Committee concluded that while $112 per Share was a reasonable starting point for a negotiation in December 2008, it was not an appropriate expectation in the current financial environment.

The Special Committee also discussed the provisions of the Merger Agreement which amended the Affiliation Agreement. The Special Committee noted that the Merger Provisions of the Affiliation Agreement created impediments to Roche acquiring full ownership of the Company. See Item 3 "− Affiliation Agreement." The impediments included uncertainty as to what Roche would have to pay the Company stockholders in a short form merger if Roche acquired 90% of the outstanding Shares (including pursuant to a tender offer). This uncertainty was due to the obligation of Roche to pay an amount equal to or greater than the average of the means of the ranges of fair value for the Shares as determined by two investment banks. The impediments also included, along with applicable Delaware fiduciary duties, the need for Roche, in situations where it owned less than 90% of all the outstanding Shares, to obtain a majority of the minority vote in favor of a merger to acquire all the Shares not owned by it or to pay a price in the merger based upon valuations by two investment banks. On March 10, 2009, the parties to the litigation in the Court of Chancery in Delaware agreed to grant the Special Committee the right to select the two investment banks and to supervise and direct their work and also agreed to provide for expanded appraisal or quasi-appraisal rights for Company stockholders in the short-form merger. The Special Committee discussed that the Merger Agreement, along with the amendment to the Affiliation Agreement, allowed Roche to acquire full ownership of the Company at a fixed price, and that this certainty was one of the reasons why Roche was prepared to increase its price from $93 per Share to $95 per Share. While the Special Committee recognized that a non-tendering stockholder could potentially receive more than $93.00 per Share if Roche owned 90% or more of the Shares following consummation of the $93.00 Offer, it concluded that the higher price of $95.00 per Share and the certainty that it would be received by all of the public stockholders (assuming a majority of the Shares held by the Company' s public stockholders were tendered into the Revised Offer) provided by the Merger Agreement was in the best interest of the Company' s stockholders, other than Roche and its affiliates.

At the meeting, representatives of Goldman Sachs discussed certain financial analyses related to the proposed transaction and, at the request of the Special Committee, delivered its oral opinion, which was subsequently confirmed in writing, that as of March 11, 2009, and based upon and subject to the assumptions, limitations and qualifications set forth in the written opinion, the $95.00 per Share in cash proposed to be paid to the holders of the Shares, other than Roche and its affiliates, pursuant to the Merger Agreement was fair from a financial point of view to such holders. A copy of Goldman Sachs' opinion is attached hereto as Annex B of this Schedule 14D-9.

During and following the presentation, the Special Committee posed questions to its advisors and the Company' s management and their advisors. After consideration and review, in executive session, the Special Committee (i) determined that the Merger Agreement and the transactions contemplated thereby, including the Revised Offer and the Merger, were fair to and in the best interest of the Company' s stockholders, other than Roche and its affiliates, (ii) determined to recommend that the Board of Directors of the Company approve and authorize the Merger Agreement and the transactions contemplated thereby, including the Revised Offer and the Merger, and (iii) subject to approval by the Board of Directors and execution of the Merger Agreement determined to recommend, on behalf of the Company, that the Company' s stockholders, other than Roche and its affiliates, accept the Revised Offer and tender their Shares pursuant to the Revised Offer. For a summary of factors considered by the Special Committee in making its determinations, see "− Reasons for the Recommendation of the Company."

Following the meeting of the Special Committee, the Board of Directors of the Company met to receive the recommendation of the Special Committee. Following the receipt of the Special Committee' s recommendation, the Board of Directors of the Company determined that the Merger Agreement and the transactions contemplated thereby, including the Revised Offer and the Merger, were advisable, and were fair to and in the best interest of the Company' s stockholders, other than Roche and its affiliates, and approved and authorized the Merger Agreement and the transactions contemplated thereby, including the Revised Offer and the Merger.

On March 12, 2009, the Company and Roche Holdings, Inc. and Roche Investments entered into the Merger Agreement and Roche Holdings entered into the Guarantee. Roche and the Company issued a joint press release on March 12, 2009 announcing the execution of the Merger Agreement and Guarantee, Roche' s amendment of its tender offer in accordance with the terms of the Merger Agreement and the Special Committee' s recommendation that the Company' s stockholders tender their Shares pursuant to the Revised Offer.

6. The following information amends and restates the sections titled "– Development of the 2008 Financial Plan," "– Philosophy of the 2008 Financial Plan," "– 2008 Financial Plan Based on Most Current Information," "– LRPs Consistently Underestimate Company Performance," "– Rigorous Review of the 2008 Financial Plan" and "– Updates of the 2008 Financial Plan" under the section titled "– 2008 Financial Plan" in Item 4:

2008 Financial Plan

Development of the 2008 Financial Plan.

To assess the Roche Proposal, the Special Committee sought to understand in detail the Company' s best estimates as to its business, financial and scientific prospects in both the short and long term, assuming the current business model and ownership structure of the Company. To this end, it was decided in late July 2008 that management should prepare the 2008 Financial Plan for the Special Committee' s review using the Company' s existing planning resources and methodologies and incorporating updates of key assumptions for events that occurred during the approximately nine months (and now approximately 15 months) since the 2007 LRP was prepared.

Philosophy of the 2008 Financial Plan.

Dr. Sanders, management of the Company and Goldman Sachs met on July 23, 2008 and discussed the appropriate philosophy that should be followed in preparing the 2008 Financial Plan. At the recommendation of management of the Company, and with the concurrence of Dr. Sanders, it was determined that the 2008 Financial Plan would not be an "upside case" to be used for negotiating purposes, but would instead be the Company' s best estimate of the Company' s prospects and would be neither conservative nor aggressive. To achieve this result, the 2008 Financial Plan uses assumptions where the probability-adjusted upsides and downsides are believed to be essentially equal. It was determined that management should review in detail all critical business, financial and scientific drivers of the Company.

2008 Financial Plan Based on Most Current Information.

Each year in December, the Company' s Board of Directors approves an annual operating budget for the next year. These budgets include, among other things, decisions with respect to capital expenditures, including investments in manufacturing, research and other facilities, as well as research and development budgets and staffing and hiring levels. In order to inform these short-term investment, budgeting and resource decisions and to provide other business context for the Board of Directors, a long-range-plan ("**LRP**") is presented in December along with the annual operating budget. Given their purpose, the Company' s LRPs are not presented for approval by the Company' s Board of Directors. As LRPs are used primarily to provide context for approving the Company' s operating budget in December, the LRPs are not as a general matter systematically updated during the course of a year. From time to time, discrete elements of the LRP may be updated if the work is of immediate interest, but no comprehensive update is undertaken or completed until the last several months of the calendar year as part of the annual financial planning process for the next calendar year.

At the time the 2008 Financial Plan was prepared in late-July 2008, approximately nine months had passed since management had prepared the Company' s most recent LRP during the fourth quarter of 2007. Management of the Company and the Special Committee agreed that there were a number of important new developments in the business, both positive and negative, since the preparation of the 2007 LRP that should be included when preparing the 2008 Financial Plan.

The 2007 LRP has not been generally updated since its preparation in November 2007 and there have been a number of important developments in the business during the approximately 15 months since the 2007 LRP was prepared. The 2007 LRP did not take into account changes to the business that had occurred since it was created in the fall of 2007, consisting of new clinical trials, competitive developments, changes in project timelines and probability assumptions and macroeconomic factors, including foreign exchange rates. These changes had a net positive effect on the 2008 Financial Plan relative to the 2007 LRP. The following principal factors had a positive impact on the U.S. sales forecast in the 2008 Financial Plan:

Avastin dosing assumptions were updated based on AVADO, a Roche-sponsored Phase III study,

Data from the annual meeting of ASCO in 2008, which indicated that the competitive environment was likely more favorable for Genentech than had been previously expected,

The timing of C-08, a Phase III study of Avastin in early-stage colon cancer, was accelerated to mid-2009 based primarily on the rate of data collection, rapid patient enrollment, and a higher than planned number of Stage III patients,

Avastin timelines changed reflecting probable dates for completion of clinical trials, including planned interim analyses, on a probability of technical success adjusted basis, and

R&D portfolio changes.

The following principal factors had a negative effect on the U.S. sales forecast in the 2008 Financial Plan relative to the 2007 LRP:

More conservative pricing assumptions, and

R&D portfolio changes.

The material assumptions underlying the 2007 LRP are as follows:

U.S. sales forecast for each molecule by indication based on market research and internal assessment to estimate market size, penetration, pricing, competition/market share, and other relevant factors.

The Company discounts “unknowns” such as upcoming clinical trial results and uncertainties such as the Cabilly patent based on the Company’ s estimated probabilities of various outcomes.

The Company models royalties based on the Company’ s partners’ local sales forecasts and analyst estimates for third party royalties.

Future pipeline productivity is based on the number of new molecules (NMEs) the Company expects to enter into clinical development, the Company’ s estimated probabilities of success in development, and the Company’ s NME planning assumptions for timelines and sales.

The Company modeled clinical development timelines to reflect the dates that final data is estimated to be available and excluded the potential for trials to be stopped earlier than the planned final analysis.

The Company forecasts costs and expenses based on the Company’ s estimates of the resources in R&D, manufacturing, commercial, and support functions required to execute the Company’ s plans.

Future impact of follow-on biologics included in forecast based on product-by-product modeling.

The assumptions in the 2007 LRP target conservative estimates given the intended use of the 2007 LRP as context for approval of the 2008 operating budget by the Board of Directors.

LRPs Consistently Underestimate Company Performance.

Because the Company’ s LRPs are used in providing context for investment and resource decisions, and because the Company’ s management seeks to use a cautious approach to hiring, commitment to facilities expansion, and other operational decisions, the LRPs have a conservative bias. This conservative bias has long been known by the Company’ s directors, including the directors nominated by Roche. When the LRP is presented to the Company’ s directors, Dr. Levinson often discusses its conservative nature and demonstrates that the Company’ s actual financial results have consistently outperformed the financial performance set forth in past LRPs. The Company’ s LRPs have not historically taken into account the probability of favorable outcomes from interim analyses of ongoing clinical trials. Independent of and in advance of the Roche Proposal and the development of the 2008 Financial Plan, the Company had already concluded that ignoring the possibility of favorable interim outcomes was overly conservative and could result in the Company not having adequate manufacturing capacity in certain circumstances. In fact, since 2003 more than half of the Company' s oncology trials that included interim analyses were stopped early (as much as 18 months early) due to positive outcomes at an interim analysis. The 2008 Financial Plan takes into account the probability of success of these interim analyses.

Each LRP contains a projection for the Company' s non-GAAP earnings per share in each of the upcoming five years and the Company' s actual non-GAAP financial results have consistently outperformed the financial projections set forth in past LRPs. The Company has historically made projections of non-GAAP earnings with respect to each of the five years in the period ending December 31, 2008 on five occasions, for a total of 25 projections. The Company' s actual non-GAAP earnings per share for those five years exceeded 24 of the 25 projections made by an average of 58%. Actual non-GAAP performance exceeded projected non-GAAP performance by an average of 95%, 79%, 59%, 40% and 11%, when projections were made 5 years, 4 years, 3 years, 2 years and 1 year in advance, respectively, indicating that the LRPs consistently underestimate actual non-GAAP performance, especially in the outer years of the LRP forecast. Please see the slide entitled "Financial Footnotes" in the "Investment Community Meeting Financial Overview" section of the Investor Presentation filed as Exhibit (a)(6) to this Schedule 14D-9 for a reconciliation and discussion of the non-GAAP financial measures.

Rigorous Review of the 2008 Financial Plan.

The process of developing the 2008 Financial Plan had a number of review elements to ensure the integrity of the plan. For example, assumptions with respect to key products were reviewed critically by the Company' s management. Upon completion, the Company' s Executive Committee completed a detailed review of all key assumptions and outputs of the August 2008 Financial Plan. Goldman Sachs attended the presentation of the 2008 Financial Plan to the Executive Committee.

On August 4, 2008, the 2008 Financial Plan (the "**August 2008 Financial Plan**") was initially presented to the Special Committee and is set forth in Annex D hereto. At that meeting, Mr. Ebersman explained the principal differences between the August 2008 Financial Plan and the 2007 LRP. The Special Committee discussed the August 2008 Financial Plan, including the key assumptions and the reasons for the differences from the 2007 LRP. The Special Committee noted that:

- the 2007 LRP was designed to be a tool in making investment and resource decisions, and not as a basis upon which to determine the value of the Company,

- approximately nine months had passed since the development of the 2007 LRP and that there had been a number of significant changes in the Company' s business since that time, and

- the LRPs consistently underestimated the Company' s actual performance.

At the Special Committee' s request, management confirmed that the August 2008 Financial Plan was prepared with the goal of being management' s best estimate of the Company' s prospects, being neither conservative nor aggressive, and addressing key assumptions in a balanced manner, where the probability-adjusted upsides and downsides were believed to be essentially equal. Additionally, the Special Committee discussed the 2008 Financial Plan and the assumptions included therein with Goldman Sachs. Following these discussions, the Special Committee concluded the 2008 Financial Plan was reasonable and an appropriate basis from which to derive the Special Committee' s view regarding the value of the Company. The Special Committee directed the representatives of Goldman Sachs to utilize the 2008 Financial Plan in connection with preparing its financial analyses.

Updates of the 2008 Financial Plan.

The 2008 Financial Plan was updated in October 2008 (the "**October 2008 Financial Plan**" and together with the August 2008 Financial Plan, the "2008 Financial Plan") to reflect changes in the Company' s business, both positive and negative, since August 2008. These changes were incorporated into the 2008 Financial Plan, which was later shared with Roche after review by the Special Committee. During the course of updating the 2008 Financial Plan in October 2008, the Company also considered the impact of the deterioration of the macroeconomic conditions on the 2008 Financial Plan (the "**2008 Financial Plan Update**").

The principal differences between the August 2008 Financial Plan and the October 2008 Financial Plan were:

Updates of the estimated probability of success of several molecules in certain indications, based on data from ongoing clinical studies, including a decrease in the probability of success of Avastin in the C-08 study from 65% to 61% due to the news that the study had not been stopped at the October 2008 data analysis,

Reduced sales forecast for Raptiva to reflect the impact of the first confirmed case of PML in a patient receiving Raptiva,

Greater estimated negative commercial impact of future competition from FOBs,

A reduction in assumed portfolio-weighted average price increases due to several factors, including the Company' s expectation of a potentially more challenging competitive and reimbursement environment, and

An increase in the ratio of the estimated sales of our products outside the United States to estimated sales inside the United States.

On February 22, 2009, at a meeting of the Special Committee, management informed the Special Committee that it had reviewed developments in the business since October 2008 and advised the Special Committee that the Company' s financial outlook had not materially changed in the aggregate since that time.

On March 11, 2009, the Special Committee met to discuss the Revised Offer. At this meeting, at the request of the Special Committee, the Company' s management informed the Special Committee that it had reviewed developments in the business since it had developed the 2008 Financial Plan and had identified the following significant business developments and impacts on future non-GAAP free cash flow forecasts contained in the 2008 Financial Plan:

On February 20, 2009, the State of California changed its corporate income tax laws to permit corporations to use a "single sales factor" apportionment formula when calculating state income tax, which will allow the Company to choose to weigh only sales made in California (and not property or payroll) to determine corporate taxes owed. The Company expects that this change will reduce its tax rate by approximately 2 percentage points beginning in 2011.

The Company recently completed a thorough review of the results of IMAGE, the Phase III study of Rituxan in certain early rheumatoid arthritis patients. The results suggest that Rituxan is effective in the early rheumatoid arthritis setting and Rituxan' s efficacy was equal, if not better, than other biologics. The Company now expects higher sales of Rituxan and its second generation Anti-CD20 monoclonal antibody than estimated in the 2008 Financial Plan. The increase in forecasted sales is driven primarily by favorable changes in expectations for dosing, pricing, and market penetration. The estimated impact is an increase of approximately $80 million to $150 million in annual free cash flow forecasts from 2011 to 2014 and approximately $200 million per year thereafter through 2024.

As a result of recent favorable developments in the Company' s intellectual property portfolio, the Company now expects patent protection for Rituxan to expire no earlier than September 2016, more than one year later than what was assumed in the 2008 Financial Plan. The estimated impact is an increase of approximately $250 million to $350 million in annual free cash flow forecasts from 2015 to 2017, decreasing to $50 million in 2018 and declining steadily thereafter to less than $10 million by 2024.

On February 24, 2009 the U.S. Patent and Trademark Office issued a Notice of Intent to Issue a Reexamination Certificate (NIRC) confirming the patentability of all claims of the Cabilly et al. patent, U.S. Patent No. 6,331,415 (Cabilly patent), of which claims 21 through 32 were amended in a manner that does not affect the commercial importance of the patent. The favorable decision by the Patent Office is final and unappealable, and the Cabilly patent remains valid and enforceable. The Cabilly patent remains subject to challenge through other proceedings, including the ongoing litigation brought by Centocor. The estimated impact is an increase of approximately $50 million to $100 million in annual free cash flow forecasts from 2010 to 2018.

Upon further analysis of the 2008 Financial Plan, the Company reduced the estimates of future cash flows from contract revenues. The estimated impact is a decrease of approximately $25 million to $175 million in annual non-GAAP free cash flow forecasts from 2011 to 2024 with larger decreases thereafter.

Delays of planned timing for certain IND filings in 2009 and 2010, led to an increase in estimated aggregate free cash flow forecasts of approximately $100 million from 2009 to 2017 followed by decreases of approximately $100 million to $275 million in annual free cash flow forecasts from 2018 to 2024.

On February 19, 2009 the European Medicines Agency (EMEA) recommended to the European Commission the suspension of marketing authority for Raptiva following three virologically confirmed cases of progressive multifocal leukoencephalopathy (PML) in psoriasis patients treated with Raptiva. EMEA' s Committee for Medicinal Products for Human Use (CHMP) has concluded that the benefits of Raptiva no longer outweigh its risks. The Company expects regulatory action in the United States as a result of these PML cases in the coming weeks. On March 6, 2009, Merck Serono, the distributor of Raptiva outside the U.S., sent a notice of termination to the Company under the License and Collaboration Agreement between the Company and Merck Serono dated August 2, 2002. The 2008 Financial Plan was completed before the Company became aware of the second and third confirmed cases of PML, the EMEA suspension and the Merck Serona termination notice, which the Company expects will have a significantly negative commercial impact to Raptiva. In addition, the Company has decided not to pursue development of Raptiva in transplant indications, as previously planned. Therefore, the Raptiva sales forecasts in the 2008 Financial Plan are higher than the Company' s current expectations as of March 2009. The estimated aggregate impact on free cash flow is nominal through 2015 followed by decreases of approximately $25 million to $125 million in annual free cash flow forecasts from 2016 to 2024.

A description of these developments in the Company' s business and the 2008 Financial Plan Update were provided to Goldman Sachs on March 8, 2009.

The Company' s management believes these developments in the aggregate will result in future cash flows greater than those contained in the 2008 Financial Plan. As disclosed in the Company' s presentations to stockholders on March 2, 2009 and included as exhibits (a)(6) and (a)(7) to this Schedule 14D-9, based on these changes in the aggregate, the Company now forecasts its compound average growth rate of non-GAAP earnings per share for the period 2010 – 2015 will be 18%, up from 16% as indicated in the 2008 Financial Plan.

2015 Commercialization Agreement and Employee Stock Assumptions; Forecasted Cash Balances

In addition to the 2008 Financial Plan, the Company provided Goldman Sachs assumptions regarding the value of the changes to the Roche-Genentech Commercialization Agreement that could occur with respect to market rate terms after 2015 and forecasts regarding employee stock options expenses, both of which were not included in the 2008 Financial Plan.

With respect to the post-2015 Commercialization Agreement, in the August 2008 Financial Plan the Company forecasted the royalty revenue from the ex-U.S. rights after 2015 and assumed a market royalty rate of 30% based on precedent licensing transactions, subtracted the implied royalty rate assuming a renewal on current terms and applied a 35% marginal tax rate. With respect to the Goldman Sachs presentation on December 10 and subsequent presentations, the Company refined its view of the performance of the unnamed new drug pipeline, and applied a range of possible market based royalty rates from 20% to 30%.

With respect to employee stock options, the Company assumed Black-Scholes based estimates of 2009 after-tax employee stock option expense of $328 million and applied a 6% annual growth rate in perpetuity.

On November 3, 2008, the Company forecast a net cash balance as of December 31, 2008 of $7 billion. On December 10, 2008, the Company forecast a cash balance, net of debt, as of December 31, 2008, of $6 billion. On February 13, 2009 through March 11, 2009, the Company forecast a cash balance, net of debt, as of March 31, 2009 of $7.7 billion.

Projections and Forecasts Provided to Goldman Sachs

The 2008 Financial Plan (including August 2008 Financial Plan and the October 2008 Financial Plan), the 2008 Financial Plan Update and the forecasts described in "–2015 Commercialization Agreement and Employee Stock Assumptions; Forecasted Cash Balances" above are the only material non-public projections and forecasts provided to Goldman Sachs by the Company.

The 2008 Financial Plan.

The 2008 Financial Plan is summarized below.

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenues:																
Product Sales	$11,244	$12,345	$13,690	$14,860	$16,083	$17,349	$18,061	$19,004	$20,764	$23,408	$24,279	$24,995	$26,230	$28,732	$31,551	$33,803
Royalties	2,501	2,465	2,617	2,681	2,723	2,809	2,551	2,518	2,667	2,676	2,377	2,447	2,611	2,967	3,326	3,662
Contract & Other	373	289	342	497	563	660	805	750	740	813	885	955	1,042	1,126	1,222	1,298
Total Revenues	**$14,118**	**$15,099**	**$16,648**	**$18,038**	**$19,370**	**$20,817**	**$21,418**	**$22,273**	**$24,171**	**$26,897**	**$27,542**	**$28,398**	**$29,883**	**$32,825**	**$36,099**	**$38,764**
Cost and Expenses:																
Cost of Sales	$1,541	$1,794	$1,872	$1,760	$1,784	$1,947	$1,969	$1,948	$2,022	$2,288	$2,412	$2,742	$3,048	$3,369	$3,800	$4,235
R&D	2,824	3,020	3,330	3,608	3,874	4,163	4,284	4,400	4,649	4,951	5,273	5,658	5,977	6,488	6,967	7,395
MSG&A	2,233	2,183	2,321	2,432	2,495	2,692	2,828	3,157	3,484	3,867	4,077	4,444	4,933	5,472	6,027	6,448
Profit Sharing	1,352	1,544	1,664	1,688	1,581	1,654	1,645	1,595	1,603	1,643	1,330	1,337	1,316	1,314	1,333	1,082
Total Cost and Expenses	**$7,950**	**$8,541**	**$9,187**	**$9,488**	**$9,734**	**$10,456**	**$10,726**	**$11,100**	**$11,757**	**$12,749**	**$13,092**	**$14,180**	**$15,274**	**$16,644**	**$18,128**	**$19,160**
Operating Income	**$6,169**	**$6,558**	**$7,461**	**$8,550**	**$9,636**	**$10,361**	**$10,692**	**$11,173**	**$12,414**	**$14,148**	**$14,450**	**$14,217**	**$14,609**	**$16,182**	**$17,970**	**$19,604**
Taxes	2,219	2,220	2,311	2,548	2,838	3,041	3,121	3,252	3,662	4,223	4,116	4,095	4,203	4,756	5,269	5,732

Post-Tax Operating Income	**$3,950**	**$4,339**	**$5,150**	**$6,002**	**$6,798**	**$7,320**	**$7,570**	**$7,920**	**$8,752**	**$9,925**	**$10,334**	**$10,122**	**$10,406**	**$11,426**	**$12,701**	**$13,872**
Gross Capex	$(546)	$(560)	$(620)	$(600)	$(554)	$(545)	$(593)	$(647)	$(640)	$(716)	$(688)	$(722)	$(782)	$(808)	$(833)	$(820)
Change in Working Capital	(50)	(371)	125	(68)	(122)	(132)	(58)	(91)	(222)	(228)	(126)	7	(197)	(231)	(397)	(746)
Depreciation	507	586	559	575	577	585	594	593	594	606	613	638	625	622	635	661
Free Cash Flow	**$3,861**	**$3,994**	**$5,214**	**$5,909**	**$6,699**	**$7,228**	**$7,513**	**$7,776**	**$8,483**	**$9,588**	**$10,133**	**$10,044**	**$10,052**	**$11,010**	**$12,105**	**$12,968**

Note: Amounts in the 2008 Financial Plan are subject to rounding.

See Item 8 "–Cautionary Note Regarding Forward-Looking Statements" of this Schedule 14D-9.

The 2008 Financial Plan includes forecasts of both GAAP and non-GAAP financial measures. Each of the amounts set forth with respect to Cost of Sales, R&D, MSG&A, Total Costs and Expenses, Operating Income, Taxes, Post-Tax Operating Income, and Free Cash Flow in the 2008 Financial Plan are non-GAAP financial measures. The Company uses these non-GAAP forecasts to monitor and evaluate the Company's operating results and trends on an on-going basis and to facilitate internal comparisons to historical results. The Company also uses non-GAAP forecasts internally for operating, budgeting and financial planning purposes. The Company believes that the non-GAAP forecasts are useful for stockholders because it provides them with the ability to compare projected future operating results to historical operating results, better identify trends in the Company's business and better understand how management evaluates the business. These non-GAAP financial forecasts have limitations because they do not include all items of income and expense that affect the Company. The non-GAAP financial forecasts included in the 2008 Financial Plan are not prepared in accordance with, and should not be considered in isolation of, or as an alternative to, measurements required by GAAP. Please see the slide entitled "Financial Footnotes" in the "Investment Community Meeting Financial Overview" section of the Investor Presentation filed as Exhibit (a)(6) to this Schedule 14D-9 for a discussion regarding the forecasts of non-GAAP financial measures in the 2008 Financial Plan.

The material assumption underlying the 2008 Financial Plan are as follows:

U.S. sales forecast for each molecule by indication based on market research and internal assessment to estimate market size, penetration, pricing, competition/market share, and other relevant factors.

The Company discounts “unknowns” such as upcoming clinical trial results and uncertainties such as the Cabilly patent based on the Company’ s estimated probabilities of various outcomes.

The Company models royalties based on the Company’ s partners’ local sales forecasts and analyst estimates for third party royalties.

Future pipeline productivity is based on the number of new molecules (NMEs) we expect to enter into clinical development, the Company’ s estimated probabilities of success in development, and our NME planning assumptions for timelines and sales.

The Company assumes portfolio-weighted average annual price increases of 3.6% in 2009, trending down to 2.3% in 2015.

The Company forecasts costs and expenses based on the Company’ s estimates of the resources in R&D, manufacturing, commercial, and support functions required to execute our plans; The Company also assumes 3% to 4% annual increases in the Company’ s costs.

Future impact of follow-on biologics included in forecast based on product-by-product modeling.

The assumptions in the 2008 Financial Plan target the Company’ s reasonable best estimates, and were intended to be neither conservative nor aggressive.

7. The following sentence is added after the first sentence under Item 4 “− 2008 Financial Plan − Roche’ s Disagreements with the 2008 Financial Plan−Pipeline Productivity”:

New molecules, or new molecular entities, are drugs that include an active ingredient that has not previously been approved for marketing in any form.

8. The following sentence is added after the first sentence under Item 4 “− 2008 Financial Plan − Roche’ s Disagreements with the 2008 Financial Plan − Follow-on-biologics”:

FOBs refers to subsequent biologic products that are marketed after expiration of patents covering pre-existing biologic products and are claimed to have similar properties to the pre-existing patent protected products.

9. The following sentence is added after the first sentence under Item 4 “− 2008 Financial Plan − Roche’ s Disagreements with the 2008 Financial Plan − Avastin Adjuvant Indications”:

An adjuvant setting refers to one or more anti-cancer drugs used in connection with (and typically after) the primary therapy, usually surgery or radiation.

10. The following sentence replaces the second sentence in the section titled “2008 Financial Plan − Roche’ s Disagreements with the 2008 Financial Plan − Effective Tax Rate”:

The reduction in the tax rate comes from the initiation of commercial production at the Company’ s facilities in Singapore, deductions for qualified production of goods in the United States and research and development credits.

11. The following information is added before “− Reasons for the Recommendation of the Company”:

Opinion of Goldman, Sachs & Co.

Goldman Sachs rendered its opinion to the Special Committee and Dr. Arthur Levinson that, as of March 11, 2009, and based upon and subject to the factors and assumptions set forth therein, the $95.00 per Share in cash proposed to be paid to the holders of Shares (other than Roche and any of its affiliates) pursuant to the Merger Agreement was fair from a financial point of view to such holders.

The full text of the written opinion of Goldman Sachs, dated March 11, 2009, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex B. Goldman Sachs provided its opinion for the information and assistance of the Special Committee in connection with its consideration of the Revised Offer and the transactions contemplated by the Merger Agreement and of Dr. Arthur Levinson, in his capacity as a member of the Board of Directors, in connection with his consideration of the Revised Offer and the transactions contemplated by the Merger Agreement. The Goldman Sachs opinion is not a recommendation as to whether or not any holder of Shares should tender such Shares in connection with the Revised Offer or how any holder of Shares should vote with respect to the Merger or any other matter.

In connection with rendering the opinion described above and performing its related financial analyses, Goldman Sachs reviewed, among other things:

- the Merger Agreement;
- the Schedule TO (as such Schedule TO has been filed and amended prior to March 11, 2009);
- this Schedule 14D-9 (as such Schedule 14D-9 has been filed and amended prior to March 11, 2009);
- annual reports to stockholders and Annual Reports on Form 10-K of the Company for the five fiscal years ended December 31, 2008;
- annual reports to stockholders of Roche for the five fiscal years ended December 31, 2008;
- certain interim reports to stockholders and Quarterly Reports on Form 10-Q of the Company;
- certain interim reports to stockholders of Roche;
- certain other communications from the Company and Roche to their respective stockholders;
- certain publicly available research analyst reports for the Company and Roche; and

certain internal financial analyses and forecasts for the Company, including the 2008 Financial Plan, in each case prepared and updated by its management as described herein and approved for Goldman Sachs' use by the Special Committee (the "**Forecasts**").

Goldman Sachs also held discussions with members of the senior management of the Company and the Special Committee regarding their assessment of the past and current business operations, financial condition and future prospects of the Company, including their views on the risks and uncertainties associated with achieving the Forecasts. In addition, Goldman Sachs reviewed the reported price and trading activity for the Shares, compared certain financial and stock market information for the Company with similar information for certain other companies the securities of which are publicly traded, reviewed the financial terms of certain recent business combinations and performed such other studies and analyses, and considered such other factors, as it considered appropriate.

For purposes of rendering the opinion described above, Goldman Sachs relied upon and assumed, without assuming any responsibility for independent verification, the accuracy and completeness of all of the financial, legal, tax, accounting and other information provided to, discussed with or reviewed by it. Goldman Sachs assumed with the consent of the Special Committee that the Forecasts were reasonably prepared. In addition, Goldman Sachs did not make an independent evaluation or appraisal of the assets and liabilities (including any contingent, derivative or off-balance-sheet assets and liabilities) of the Company, Roche or any of their respective affiliates, nor was any such evaluation or appraisal furnished to Goldman Sachs. Goldman Sachs' opinion does not address any legal, regulatory, tax or accounting matters nor does it address the underlying business decision of the Company to engage in the transactions, or the relative merits of the transactions as compared to any strategic alternatives that may be available to the Company. Goldman Sachs' opinion addresses only the fairness from a financial point of view, as of the date of the opinion, of the $95.00 per Share in cash proposed to be paid to the holders of Shares (other than Roche and any of its affiliates) pursuant to the Merger Agreement. Goldman Sachs' opinion does not express any view on, and does not address, the fairness of the transactions to, or any consideration received in connection therewith by, the holders of any other class of securities, creditors, or other constituencies of the Company or Roche; nor as to the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors or employees of the Company or Roche, or class of such persons in connection with the transactions, whether relative to the $95.00 per Share in cash proposed to be paid to the holders of Shares pursuant to the Merger Agreement or otherwise. Goldman Sachs' opinion was necessarily based on economic, monetary market and other conditions as in effect on, and the information made available to it as of the date of the opinion and Goldman Sachs assumed no responsibility for updating, revising or reaffirming its opinion based on circumstances, developments or events occurring after the date of its opinion. Goldman Sachs' opinion was approved by a fairness committee of Goldman Sachs.

The following is a summary of the material financial analyses delivered by Goldman Sachs to the Special Committee in connection with rendering the opinion described above. The following summary, however, does not purport to be a complete description of the financial analyses performed by Goldman Sachs, nor does the order of analyses described represent relative importance or weight given to those analyses by Goldman Sachs. Some of the summaries of the financial analyses include information presented in tabular format. The tables must be read together with the full text of each summary and are alone not a complete description of Goldman Sachs' financial analyses. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before March 10, 2009, and is not necessarily indicative of current market conditions.

Historical Stock Trading Analysis. Goldman Sachs reviewed the historical trading prices and volumes for the Shares for the five-year period ended March 9, 2009. In addition, Goldman Sachs analyzed the consideration proposed to be paid to the holders of Shares, other than Roche and any of its affiliates, pursuant to the Merger Agreement in relation to the historical and average market prices of the Shares.

This analysis indicated that the price per Share proposed to be paid to the Company's stockholders pursuant to the Merger Agreement represented:

- a premium of 16.1% based on the closing market price of $81.82 per Share as of July 18, 2008, the last trading day prior to Roche's public announcement of its $89.00 per Share offer;

- a premium of 27.1% based on the closing market price of $74.76 per Share as of June 20, 2008; and

- a premium of 25.1% based on the 30-day trading average market price of $75.96 per Share prior to July 18, 2008.

This analysis also evaluated the changes in market prices of various composites of publicly traded companies in the biotechnology and pharmaceuticals industries, the twenty largest public companies in the United States by market capitalization and other trading indices. This analysis indicated that a composite of selected biotechnology companies had declined approximately 25.8% since July 18, 2008. Applying this decline to the July 18, 2008 closing market price of $81.82 per Share implied a current value of $60.71 per Share, which indicated that the price per Share proposed to be paid to the Company's stockholders pursuant to the Merger Agreement represented a 56.5% premium.

Equity Research Target Prices. Goldman Sachs reviewed the price targets as of March 9, 2009 for the Shares published by equity research analysts at 16 Wall Street investment banks. These price targets ranged from $88.00 to $112.00.

Selected Companies Analysis. Goldman Sachs reviewed and compared certain financial information for the Company to corresponding financial information, ratios and public market multiples for the following publicly traded corporations in the biotechnology and pharmaceutical industries:

Large Cap Biotech Companies

Amgen Inc.;

Biogen Idec Inc.;

Celgene Corporation;

Genzyme Corporation;

Gilead Sciences, Inc.

United States Large Pharmaceutical Companies

Abbott Laboratories;

Bristol-Myers Squibb Company;

Eli Lilly and Company;

Johnson & Johnson;

Merck & Co. Inc.;

Pfizer Inc.;

Schering-Plough Corporation; and

Wyeth.

European Large Pharmaceutical Companies

AstraZeneca PLC;

Bayer AG;

GlaxoSmithKline plc;

Merck KGaA;

Novartis AG;

Novo Nordisk A/S; and

Sanofi Aventis.

Although none of the selected companies is directly comparable to the Company, the companies included were chosen because they are publicly traded companies with operations that for purposes of analysis may be considered similar to certain operations of the Company.

Goldman Sachs also calculated and compared various financial multiples and ratios based on financial data as of March 9, 2009, information it obtained from SEC filings and IBES estimates. The multiples and ratios of the Company were calculated using the closing price of the Shares on March 9, 2009. The multiples and ratios of the Company were based on information provided by the Company' s management and IBES estimates. The multiples and ratios for each of the selected companies were based on the most recent publicly available information and IBES estimates.

Goldman Sachs also calculated the selected companies' price/earnings ("**PE**") ratios as of July 18, 2008, December 5, 2008, February 20, 2009 and March 9, 2009 and compared these to the results for the Company. The following table presents the results of this analysis:

Price/Earnings Ratio:

	Selected Companies Range	Large Cap Biotech Median	U.S. Large Pharma Median	Europe Large Pharma Median	Genentech, Inc
July 18, 2008	7.2x - 30.5x	16.7x	11.9x	11.7x	20.9x
December 5, 2008	6.6x - 23.5x	13.8x	9.5x	10.2x	19.0x
February 20, 2009	6.6x - 25.0x	15.2x	10.7x	10.2x	22.4x
March 9, 2009	5.9x - 18.5x	11.9x	10.1x	9.0x	24.4x

* Multiples are based on IBES estimates.

Illustrative Discounted Cash Flow Analysis. Goldman Sachs performed an illustrative discounted cash flow analysis on the Company using certain internal financial analyses and forecasts for the Company prepared by its management and approved for Goldman Sachs' use by the Special Committee, including forecasts and assumptions provided by the Company' s management for employee stock option expenses and forecasts and assumptions provided by management for changes to the Roche/Genentech commercialization agreement that could occur with expected market rate terms post expiration in 2015. In addition, the Company' s management informed the Special Committee and Goldman Sachs that certain developments had occurred in the Company' s business that impacted certain of the assumptions underlying the 2008 Financial Plan and the free cash flows projected thereunder. Management informed the Special Committee and Goldman Sachs that these developments resulted in adjustments to the estimated annual free cash flows for certain of the years included in the 2008 Financial Plan. Accordingly, the free cash flows used for the discounted cash flow analysis were the free cash flows projected by the 2008 Financial Plan, plus those changes in free cash flows estimated by management. Goldman Sachs calculated indications of net present value of free cash flows for the Company for the years 2009 through 2024 using discount rates ranging from 8.0% to 10.0% and discounted to March 31, 2009. Goldman Sachs calculated implied prices per Share using management projections and illustrative terminal values in the years 2018 and 2024 based on perpetuity growth rates ranging from 2.0% to 4.0%. These illustrative terminal values were then discounted to calculate implied indications of present values using discount rates ranging from 8.0% to 10.0% and discounted to March 31, 2009. The following table presents the results of this analysis:

	Illustrative Per Share Value Indications
Genentech, Inc.	
2018 Terminal Year	\$93.20 - \$145.02

2024 Terminal Year	$100.25 - $151.41

Discounted Cash Flow Sensitivity Analysis. Using the same forecasts as in the discounted cash flow analysis, an illustrative 3.0% perpetuity growth rate and 9.0% discount rate, Goldman Sachs analyzed operating sensitivities to the discounted cash flow analysis to determine the implied prices per Share based on changes in incremental revenue compounded annual growth rates for the years 2009 to 2024 ranging from (3.0)% to 1.0% from the forecasts and EBIT margins that trend to a range of 41.6% to 53.6% for 2024. This analysis resulted in illustrative implied prices per Share ranging from $80.76 to $141.37 assuming a 2024 terminal year, and illustrative implied prices per Share ranging from $87.23 to $127.09 assuming a 2018 terminal year.

Goldman Sachs also analyzed the sensitivity of the discounted cash flow analysis to changes in the assumed probability of technical success ("**PTS**") for the Company' s Avastin C-08 trial results based on assumptions and input from management of the Company. The 2008 Financial Plan assumed a 61% PTS for adjuvant colorectal indications, a 50% PTS for adjuvant breast indications and a 55% PTS for adjuvant lung indications. Using the same range of perpetuity growth rates and discount rates as in the discounted cash flow analysis, and assuming terminal years of 2018 and 2024, Goldman Sachs determined the implied prices per Share based on management' s estimate of an increase in the PTS assumptions for adjuvant colorectal indications to 100% and for adjuvant breast and adjuvant lung indications in development to 70% in the event that positive results are received in the Company' s Avastin C-08 trial during the second quarter of 2009. This analysis resulted in illustrative prices per Share ranging from $100.97 to $159.75 for terminal year 2018 and $105.27 to $158.67 for terminal year 2024.

In addition, using the same range of perpetuity growth rates and discount rates as in the discounted cash flow analysis, and assuming terminal years of 2018 and 2024, Goldman Sachs determined the implied prices per Share based on management' s estimate of a decrease in the PTS assumptions for adjuvant colorectal indications to 0% and for adjuvant breast and adjuvant lung indications in development to 10% in the event that negative results are received in the Company' s Avastin C-08 trial during the second quarter of 2009. This analysis resulted in illustrative prices per Share ranging from $78.39 to $116.82 for terminal year 2018 and $90.53 to $136.94 for terminal year 2024.

Present Value of Future Share Price Analysis. Goldman Sachs performed an illustrative analysis of the implied present value of the Company' s future price per Share, which is designed to provide an indication of the present value of a theoretical future value of a company' s equity as a function of such company' s estimated future earnings and its assumed price to future earnings per share multiple. For this analysis, Goldman Sachs used the financial information for the Company prepared by the Company' s management for each of the fiscal years 2009 to 2011 and the median of estimates provided by IBES for each of the fiscal years 2009 to 2011. Goldman Sachs first calculated the implied values per Share as of March 9, 2009 for each of the fiscal years 2009 to 2011 by applying price to forward earnings per Share multiples of 14.0x to 22.0x earnings per Share estimates for each of the fiscal years 2009 to 2011, and then discounted 2010 and 2011 values back one year and two years, respectively, using a discount rate of 9.0%. Applying this analysis using management' s earnings per share estimates as adjusted for share repurchase assumptions resulted in a range of implied present values of $54.26 to $104.04 per Share. Applying this analysis using the median of estimates provided by IBES resulted in a range of implied present values of approximately $53.00 to $92.00 per Share. Goldman Sachs also calculated the implied values per Share using the same analysis and estimates provided by management based on an increase and decrease in the PTS assumptions in the event that positive or negative results are received in the Company' s Avastin C-08 trial during the second quarter of 2009 as described above. Applying this analysis to management' s expected increase in PTS assumptions based on positive results produces a range of implied present values of $54.27 to $108.79 per Share. Applying this analysis to management' s expected decrease in PTS assumptions based on negative results produces a range of implied present values of $54.24 to $96.34 per Share.

Minority "Squeeze-Out" Premiums Paid Analysis. Using publicly available information, Goldman Sachs prepared a premiums paid analysis for the Company based upon a review and analysis of the range of premiums paid in the acquisition of selected companies in which publicly traded minority interests were "squeezed out." The review included only selected transactions between 2000 and January 2009 which were acquisitions of publicly traded minority interests in a U.S. company. The transactions included all of the transactions falling within these criteria in the time frame used that were identified by Goldman Sachs and for which Goldman Sachs was able to identify reliable transaction statistics. For each precedent minority "squeeze-out" transaction, Goldman Sachs analyzed the premium offered by the acquiror to the target' s closing price one day prior to the announcement of the transaction and the increase from the initial offer price to the final offer price. The results of this are set out in the following table:

	Precedent Transaction Statistic Range	Median	Genentech, Inc.
Initial premium to one-day prior unaffected price of $81.82 per share	(0.6)% - 35.3%	12.5%	8.8%
Final premium to one-day prior unaffected price of $81.82 per share	(0.3)% - 44.7%	16.4%	16.1%
Increase from initial offer of $89.00 per share	0.0% - 26.7%	2.4%	6.7%

Selected Transaction Analysis. Goldman Sachs reviewed and analyzed certain publicly available financial information for selected precedent merger and acquisition transactions in lines of business Goldman Sachs believed to be generally relevant in evaluating the Company and compared such information to the corresponding information for the proposed transactions. Specifically, Goldman Sachs considered transactions in the pharmaceutical, biotechnology and biotechnology-pharmaceutical industries. For each of the selected transactions, Goldman Sachs calculated and compared enterprise value as a multiple of latest twelve months revenues, the premium offered or paid by the acquiror to the target' s closing price one day prior to the announcement of the transaction and the premium offered or paid by the acquiror to the target' s closing price four weeks prior to the announcement of the transaction. The results of this are set out in the following table:

	Precedent Transaction Statistic Range	Median	Genentech, Inc.
Pharma / BioPharma			
Enterprise value / LTM Revenues	3.9x - 37.0x	10.4x	7.1x
Premium to one-day prior unaffected price	9.7% - 100.2%	38.7%	16.1%
Premium to four weeks prior unaffected price	10.5% - 135.5%	50.0%	27.1%
Pharma / Pharma			
Enterprise value / LTM Revenues	2.8x - 4.7x	3.1x	7.1x

Premium to one-day prior unaffected price	22.7% - 47.2%	36.7%	16.1%
Premium to four weeks prior unaffected price	25.3% - 58.9%	33.5%	27.1%

While none of the companies that participated in the selected transactions are directly comparable to the Company, the companies that participated in the selected transactions are companies with operations that, for the purposes of analysis, may be considered similar to certain of the Company' s results, market size and product profile.

The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summary set forth above, without considering the analyses as a whole, could create an incomplete view of the processes underlying Goldman Sachs' opinion. In arriving at its fairness determination, Goldman Sachs considered the results of all of its analyses and did not attribute any particular weight to any factor or analysis considered by it. Rather, Goldman Sachs made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all of its analyses. No company or transaction used in the above analyses as a comparison is directly comparable to the Company or Roche or the contemplated transactions.

Goldman Sachs prepared these analyses for purposes of Goldman Sachs' providing its opinion to the Special Committee as to the fairness from a financial point of view to the holders (other than Roche and any of its affiliates) of the Shares of the $95.00 per Share in cash proposed to be paid to such holders pursuant to the Merger Agreement. These analyses do not purport to be appraisals nor do they necessarily reflect the prices at which businesses or securities actually may be sold. Analyses based upon forecasts of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by these analyses. Because these analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors, none of the Company, Roche, Goldman Sachs or any other person assumes responsibility if future results are materially different from those forecast.

The tender offer price and merger consideration was determined through arms' -length negotiations between the Company and Roche and was recommended by the Special Committee and approved by the Company' s Board of Directors. Goldman Sachs provided advice to the Special Committee during these negotiations. Goldman Sachs did not, however, recommend any specific amount of consideration to the Company or the Special Committee or that any specific amount of consideration constituted the only appropriate consideration for the transactions.

As described above, Goldman Sachs' opinion to the Special Committee was one of many factors taken into consideration by the Special Committee in making its determination to recommend the approval of the merger agreement. The foregoing summary does not purport to be a complete description of the analyses performed by Goldman Sachs in connection with the fairness opinion and is qualified in its entirety by reference to the written opinion of Goldman Sachs attached as Annex B.

Goldman, Sachs & Co. and its affiliates are engaged in investment banking and financial advisory services, securities trading, investment management, principal investment, financial planning, benefits counseling, risk management, hedging, financing, brokerage activities and other financial and non-financial activities and services for various persons and entities. In the ordinary course of these activities and services, Goldman, Sachs & Co. and its affiliates may at any time make or hold long or short positions and investments, as well as actively trade or effect transactions, in the equity, debt and other securities (or related derivative securities) and financial instruments (including bank loans and other obligations) of the Company, Roche and any of their respective affiliates or any currency or commodity that may be involved in the transactions for their own account and for the accounts of their customers. Goldman Sachs acted as financial advisor to the Special Committee in connection with its consideration of, and participated in certain of the negotiations leading to, the transactions and other matters pursuant to Goldman Sachs' engagement by the Special Committee. In addition, Goldman Sachs has provided certain investment banking and other financial services to the Company and its affiliates from time to time, including having acted as counterparty with respect to a derivative transaction entered into by the Company in November 2007. Goldman Sachs also has provided certain investment banking and other financial services to Roche and its affiliates from time to time. Goldman Sachs also may provide investment banking and other financial services to the Company, Roche and their respective affiliates in the future. In connection with the above-described services Goldman Sachs has received, and may receive in the future, compensation.

The Special Committee selected Goldman Sachs as its financial advisor because it is an internationally recognized investment banking firm that has substantial experience in transactions similar to the transactions contemplated by the Merger Agreement. Pursuant to a letter agreement dated July 23, 2008, the Company engaged Goldman Sachs to act as its financial advisor in connection with the contemplated transactions. Pursuant to the terms of that engagement letter, the Company has agreed to pay Goldman Sachs fees for its services, including fees accrued to date of $11.6 million that have been paid or are due whether or not the transactions are completed, a fee of approximately $10.0 million paid to Goldman Sachs upon the execution by the Company of the Merger Agreement and a fee of approximately $8.3 million that would be payable upon the successful completion of the transactions. In addition, the Company has agreed to reimburse Goldman Sachs for its expenses, including attorneys' fees and disbursements, and to indemnify Goldman Sachs and related persons against various liabilities, including certain liabilities under the federal securities laws.

Goldman Sachs Presentations

A copy of Goldman Sachs' written presentation to the Special Committee on March 11, 2009 has been filed as an exhibit to the Schedule 14D-9 filed with the SEC in connection with the Offer and the transactions contemplated by the Merger Agreement. This presentation, alone or together with any other presentation, does not constitute an opinion of Goldman Sachs with respect to the consideration to be paid in the Offer or the Merger.

In addition to the presentation made to the Special Committee described above, Goldman Sachs also made written and oral presentations to the Special Committee on August 12, 2008, September 29, 2008, October 13, 2008, November 3, 2008, December 10, 2008, February 13, 2009 and February 22, 2009. Copies of these other written presentations by Goldman Sachs to the Special Committee have been attached as exhibits to the Company' s Schedule 14D-9 filed with the SEC in connection with the Offer and the transactions contemplated by the Merger Agreement.

None of these other written and oral presentations by Goldman Sachs, alone or together, constitute an opinion of Goldman Sachs with respect to the consideration to be paid in the Offer or the Merger. Financial analyses contained in these other written and oral presentations are substantially similar in form to the financial analyses provided in Goldman Sachs' written presentation to the Special Committee on March 11, 2009, as described above. Generally, presentations containing financial analyses were updated to account for market changes including, but not limited to, changes in capital market prices and multiples, changes in the dynamics of the debt markets, recently released equity research price targets and analyst commentary, new information from publicly-filed documents, changes in the holdings of major shareholders, foreign currency exchange and interest rate assumptions.

The August 12, 2008 materials contained various financial analyses including historical stock trading prices, recently released equity research price targets, selected companies analysis, discounted cash flow analyses, present value of future stock price analyses, "minority squeeze-out" premium paid analyses, selected transaction analyses, sum-of-the-parts analysis and analyses of revenue, EBITDA and earnings per share ("**EPS**") multiple values at different prices, a summary analysis of Roche, transaction-specific developments and strategy, transaction-related financial analysis and various upside and downside scenarios, principally for the Avastin C-08 trial. The August 12, 2008 materials, where applicable, were based on the August 2008 Financial Plan provided to Goldman Sachs by management of the Company, as described previously. The key financial analysis assumptions for these materials, where applicable, include perpetuity growth rates of 2.0% to 4.0%, discount rates of 8.0% to 10.0% and a PE multiple range of 18.0x to 24.0x. Cash flows and other amounts that were presented on a discounted basis were discounted to January 1, 2009.

The September 29, 2008 materials contained updated financial analyses including historical stock trading prices, selected companies analysis, discounted cash flow analyses, present value of future stock price analyses, sum-of-the-parts analysis, updated transaction-related financial analyses, various upside and downside scenarios, principally for the Avastin C-08 trial, a review of discussions with Greenhill, an analysis of possible alternative transaction structures including a discussion of the potential use of contingent value rights, and benchmarking analyses of pipeline productivity. The September 29, 2008 materials were based on the August 2008 Financial Plan provided by management of the Company as described previously. The key financial analysis assumptions for these materials were the same as those used in the August 12, 2008 materials as described above.

The October 13, 2008 materials contained the same updated financial analyses as were provided in the September 29, 2008 materials. Specifically, the materials included historical stock trading prices, selected companies analysis, discounted cash flow analyses, present value of future stock price analyses and an analysis of the September 9, 2008 Greenhill presentation. Similar to the September 29, 2008 materials, the October 13, 2008 materials were also based on the August 2008 Financial Plan provided to Goldman Sachs by management of the Company, as previously described. For the first time, in the October 13, 2008 materials the discounted cash flow analysis analyzed two terminal year dates of 2018 and 2024.

The November 3, 2008 materials contained updated financial analyses including recently released equity analyst research targets, selected companies analysis, discounted cash flow analyses, present value of future stock price analyses, an updated review of the September 9, 2008 Greenhill presentation, an analysis of then current credit market considerations and various upside and downside scenarios, principally for the Avastin C-08 trial. The November 3, 2008 materials were based on the October 2008 Financial Plan provided to Goldman Sachs by management of the Company in late October 2008. The key financial analysis assumptions such as perpetuity growth rates and PE multiple ranges remained the same as those used in the prior materials described above. Cash flows were discounted to January 1, 2009 using the mid-year convention and discounted using rates of 8.0% to 10.0%.

The December 10, 2008 materials contained updated financial analyses including historical stock trading prices, recently released equity analyst research targets, selected companies analysis, discounted cash flow analyses, present value of future stock price analyses, an updated analysis of then current credit market considerations, an updated transaction-related financial analyses and various upside and downside scenarios, principally for the Avastin C-08 trial. Similar to the November 3, 2008 materials, the December 10, 2008 materials were based on the October 2008 Financial Plan provided to Goldman Sachs by management of the Company, as previously described. Management also provided Goldman Sachs with more detailed forecasts and assumptions related to changes to the Roche/Genentech commercialization agreement that could occur with expected market rate terms post expiration in 2015. The key financial analysis assumptions such as perpetuity growth rates, discount rates and PE multiple ranges remained the same as those used in the November 3, 2008 materials described above but apply a wider range of PE multiples of 16.0x to 24.0x and explored discount rates higher than 8.0% to 10.0%. The discounted cash flow analysis in these subsequent materials assumed a tax rate that would be applied to operating income independent of taxes associated with net interest income.

The February 13, 2009 materials contained updated financial analyses including historical stock trading prices, recently released equity research price targets and analyst commentary, selected companies analysis, discounted cash flow analyses, present value of future stock price analyses, an updated analysis of then current credit market considerations, updated transaction-related financial analyses and various upside and downside scenarios including, without limitation, for the Avastin C-08 trial. The February 13, 2009 materials were based on the October 2008 Financial Plan provided to Goldman Sachs by management of the Company, as previously described. Cash flows and other amounts that were presented on a discounted basis were based on a March 31, 2009 discount date in lieu of the January 1, 2009 discount date that had been used in all materials since August 12, 2008. In addition, the analyses included in these materials incorporated an updated assumed net cash balance for March 31, 2009 to account for an expected increase in the Company' s cash balance at March 31, 2009 due to first quarter cash flows.

The February 22, 2009 materials contained the same financial analyses as were provided in the February 13, 2009 materials but also included "minority squeeze-out" premium paid analyses and selected transaction analyses. Specifically, the materials included historical stock trading prices, recently released equity analyst research targets, selected companies analysis, discounted cash flow analyses, present value of future stock price analyses, selected transaction analyses and various upside and downside scenarios including, without limitation, for the Avastin C-08 trial. These financial analyses used the same inputs and assumptions as the prior materials. In addition, the February 22, 2009 materials contained an updated analysis of credit market considerations and updated transaction-related financial analyses.

The March 11, 2009 materials described and summarized above used the same key financial analysis assumptions as the February 22, 2009 materials except for a PE multiple range of 14.0x to 22.0x. The March 11, 2009 materials were based on the October 2008 Financial Plan provided to Goldman Sachs by management of the Company, as previously described except for the discounted cash flow analyses described previously in this section, which analyses were adjusted for the management updates described in "− 2008 Financial Plan − Updates of the 2008 Financial Plan."

Changes in the Market Occurring Between the Presentation of the December 10, 2008 Materials and the March 11, 2009 Materials

As described above, each presentation generally included updated stock market information. The following changes in the market were considered by Goldman in the preparation of materials between December 10, 2008 and March 10, 2009.

The March 11, 2009 materials contain data showing that, for the three month period from December 10, 2008 to March 9, 2009, the NASDAQ Biotechnology Index and the S&P 500 Index had declined 11.1% and 24.8%, respectively. During that same period, groups of selected large cap biotech companies and large pharma companies declined 13.7% and 11.3%, respectively. The top 20 largest U.S. companies by market cap had declined by an average of 20.3% and a median of 20.0%. During the period from December 5, 2008 to March 9, 2009, the median 2009 price to earnings multiples for a selected group of large cap biotech companies declined from 13.8x to 11.9x.

The March 11, 2009 materials also contain data showing stock price performance of groups of selected large pharma companies and large cap biotech companies declined by 5.6% and 11.6%, respectively, between the publication of President Obama' s healthcare budget proposal on February 26, 2009 and March 9, 2009.

The March 11, 2009 materials also included recently released equity research price targets for the Company, based on analysts' most recent deal speculation. At March 9, 2009, the mean and median deal speculation price target was $96 and $98 per Share, as compared to December 9, 2008, at which time the mean and median deal speculation target was $104 and $105 per share, respectively.

The chart below is a summary of certain results of financial analyses presented by Goldman Sachs to the Special Committee on eight occasions over a period of seven months. In comparing and evaluating such results, care should be taken to review the different inputs and assumptions made in each case, which are detailed in Goldman Sachs' presentations, each of which is filed as an exhibit to this Schedule 14D-9. The information contained in this chart, alone or together with any of the presentations, does not constitute an opinion of Goldman Sachs with respect to the consideration to be paid in the Revised Offer or the Merger.

	August 12, 2008	September 29, 2008	October 13, 2008	November 3, 2008	December 10, 2008	February 13, 2009	February 22, 2009	March 11, 2009
Historical Stock Trading Prices (1)	$66 - $97	N/A	N/A	$66 - $99	$66 - $99	$67 - $99	$67 - $99	$67 - $99
Equity Research Price Targets (2)	$88 - $105	N/A	N/A	$85 - $105	$81 - $105	$85 - $105	$85 - $105	$88 - $112
Selected Companies Analysis	$72 - $96 (3)	$72 - $96 (3)	$72 - $96 (3)	$69 - $92 (3)	$62 - $94 (4)	$61 - $93 (5)	$61 - $93 (5)	$53 - $85 (6)
Present Value of Future Stock Price Analyses (7)	$80 - $122	$80 - $122	$80 - $122	$72 - $110	$65 - $112	$65 - $112	$65 - $112	$58 - $104
Discounted Cash Flow Analysis (2024) (8)	$86 - $144	$86 - $144	$86 - $144	$89 - $148	$94 - $143	$97 - $147	$97 - $147	$100 - $151
Discounted Cash Flow Analysis (2018) (8)	N/A	N/A	$81 - $143	N/A	$88 - $137	$91 - $141	$91 - $141	$93 - $145

* Certain of the figures provided in the above chart are not directly comparable from period to period for each type of financial analysis due to changes in inputs, assumptions and calculations. For detail of such inputs, assumptions and calculations see the actual board presentation materials for the respective dates, each of which has been filed as an exhibit to this Schedule 14D-9.

** All figures in the above chart have been rounded to the nearest whole dollar.

*** All data contained or referenced in this table is qualified in its entirely by the actual board presentations for each date referred to above, all of which have been filed as exhibits to this Schedule 14D-9.

(1) The range represents the low and high prices per Share during the 52-week period ending on approximately the last trading day prior to the date of the presentation.

(2) The range represents the low and high current price targets based on a survey of equity research analyst reports.

(3) Calculated using a forward earnings multiple range of 18 - 24x 2009 management EPS estimates.

(4) Calculated using a forward earnings multiple range of 16 - 24x 2009 combined range of management and IBES EPS estimates.

(5) Calculated using a forward earnings multiple range of 16 - 24x 2009 combined range of management and IBES EPS estimates.

(6) Calculated using a forward earnings multiple range of 14 - 22x 2009 combined range of management and IBES EPS estimates.

(7) The figures for each presentation date were calculated using the same forward earnings multiple range as the Selected Companies Analysis for each respective date; however, the forward earnings multiple ranges were applied to management' s 2010 and 2011 estimated EPS (as adjusted) and discounted at 9.0%.

(8) Calculated using perpetuity growth rates of 2-4%, discount rates of 8-10% and includes management estimates of 2015 opt-in and employee stock option expense.

As described above in more detail, these other written and oral presentations made by Goldman Sachs contained, among other things, the following types of financial analyses:

- market performance;

- analysis at various prices;

illustrative present value of future stock price analysis;

analysis of premiums paid in “squeeze-out” transactions;

illustrative discounted cash flow analysis;

selected transactions analysis; and

selected public companies analysis.

Not all of the other written and oral presentations contained all of the financial analyses listed above. The financial analyses in these other written and oral presentations were based on market, economic and other conditions as they existed as of the dates of the respective presentations as well as other information that was available at those times. Accordingly, the results of the financial analyses differed due to changes in those

conditions. Among other things, multiples attributable to selected companies changed as those companies' stock prices changed, and implied transaction multiples, average multiples over time and discounted cash flows analyses changed as the Company' s financial results (as well as projections made by the Company' s management) changed. Finally, Goldman Sachs continued to refine various aspects of its financial analyses with respect to the Company over time.

16. The following paragraphs replace all of the paragraphs under the heading "– Reasons for the Special Committee' s Recommendation" and the heading thereto:

Reasons for the Recommendation of the Company

The Company, based upon the unanimous recommendation of the Special Committee, has determined that the Merger Agreement and the transactions contemplated thereby, including the Revised Offer and the Merger, are advisable and fair to and in the best interests of the Company' s stockholders, other than Roche and its affiliates. Accordingly, the Company recommends that the Company' s stockholders accept the Revised Offer and tender their Shares in the Revised Offer and if stockholder approval is required under Delaware law, adopt the Merger Agreement and the transactions contemplated thereby.

The Special Committee has unanimously determined that the Merger Agreement, and the transaction contemplated by the Merger Agreement are fair to and in the best interests of the Company' s stockholders, other than Roche and its affiliates. Accordingly, the Special Committee recommends, on behalf of the Company, that the Company' s stockholders tender their Shares in the Revised Offer and if required under Delaware law adopt the Merger Agreement and the transactions contemplated thereby. In making this determination and recommendation, the Special Committee considered a number of factors. The material factors are summarized below.

Based upon the recommendation of the Special Committee, the Board of Directors (with three Roche directors, William M. Burns, Erich Hunziker and Jonathan K.C. Knowles abstaining) determined that the Merger Agreement and the transaction contemplated thereby, including the Revised Offer and the Merger, are advisable and fair to and in the best interests of the Company and the Company' s stockholders, other than Roche and its affiliates. Accordingly, the Board of Directors recommends that the Company' s stockholders accept the Revised Offer and tender their Shares pursuant to the Revised Offer and, if stockholder approval is required under Delaware law, adopt the Merger Agreement and the transactions contemplated thereby.

Supportive Factors.

The Special Committee viewed the following factors as being generally supportive in coming to its determination and recommendation:

Financial and Business Prospects of the Company and Attendant Risks. The Special Committee reviewed the financial condition, results of operations, competitive position, business and prospects of the Company. The Special Committee believes that the Revised Offer Price of $95.00 per Share appropriately reflects the long-term value creation potential of the Company' s business plan (including the potential for Avastin in the adjuvant setting), while considering the risks associated with the Company' s business plan or risks inherent in the industry. Those risks include potential future competition, including from follow-on biologics (i.e., products that are intended to mimic the Company' s branded products, analogous to "generics" for traditional pharmaceutical products) as a result of developments such as new Federal legislation and/or scientific advances facilitating the development of follow-on biologics, changes in healthcare legislation or regulation that could significantly impact pricing and reimbursement of pharmaceuticals, and the inherent uncertainties associated with drug discovery and development.

The Special Committee also considered the possible outcomes of the Company' s pending Phase III study (NSABP C-08) of Avastin in the adjuvant setting for treatment of early-stage colon cancer (the "**Avastin Trial**"), the results of which are currently expected to be announced in mid-April 2009. The Special Committee noted that as a result of the consummation of the Revised Offer and the Merger, the Company' s stockholders will avoid the risks associated with a negative outcome in the Avastin Trial, including potential declines in the trading prices of the Shares, a determination by Roche not to purchase any Shares, or should Roche determine to purchase any Shares that it would do so at a reduced price. The Special Committee also noted that, as a result of the consummation of the Revised Offer and the Merger, the Company' s stockholders will not participate in the full future value which could be created from a positive outcome of the Avastin Trial. Beginning in August 2008, the Special Committee determined that if a proposal from Roche fairly valued the Company, including the probability-adjusted upsides and downsides of positive and negative results in the Avastin Trial, the Special Committee would not reject a transaction with Roche merely to wait for the Avastin Trial results. Because the Special Committee believes the Revised Offer Price appropriately reflects the long-term value creation potential of the Company' s business plan, including the potential for Avastin in the adjuvant setting, the Special Committee determined to enter into the Merger Agreement before the results of the Avastin Trial were announced.

The Special Committee also noted that there has recently been a significant deterioration in the financial markets, which has had a number of consequences, including: creating a larger disparity between current trading prices of equity securities and the potential long term values of equity securities; creating a larger disparity between current multiples of equity securities and historical multiples; reducing stock prices for other biotechnology and pharmaceutical companies, in particular since the current administration' s budget proposal, which emphasized reducing health care costs; and decreasing expectations from the Company' s stockholders with respect to the price that could be received in a transaction with Roche.

Revised Offer Price and the Course of Negotiations. Since the initial $89.00 proposal by Roche, the Special Committee and Roche have had extensive discussions regarding the value of the Company for many months. Since reducing its initial offer price from $89.00 to $86.50, Roche has increased its price twice, first to $93.00 per Share and then to $95.00, for a total increase of 6.7% above its initial proposal of $89 and 9.8% above its offer price of $86.50. Based on the course of negotiations over the past months between Roche and the Special Committee, the Special Committee believed that, at this time, it is highly unlikely that Roche would be willing to pay a higher price for the Company than $95.00 per Share. In addition, Roche had informed the Special Committee that, if the Special Committee and the Board did not enter into a merger agreement with Roche, Roche would continue with its tender offer at $93 per Share, with its currently scheduled expiration date of March 20, 2009.

Review by Special Committee of Independent Directors. The Special Committee consists solely of independent directors not affiliated with Roche. The Special Committee retained and was advised by an independent financial advisor and legal counsel. The Special Committee was involved in extensive deliberations since the time of the initial proposal by Roche in July 2008 until the execution of the Merger Agreement, and was provided full access to the Company' s management and documentation in connection with due diligence conducted by its advisors. The Special Committee, with the assistance of its legal and financial advisors, engaged in extensive negotiations with Roche and its advisors.

Premium Relative to Market Prices. The Special Committee considered the current and historical trading prices of the shares. Based upon the Company' s closing price of $81.82 on July 18, 2008, the day before Roche' s $89.00 proposal, the Revised Offer Price represents a 16.1% premium. Based on the Company' s closing price of $84.09 on January 29, 2009, the day before Roche announced that it intended to commence a tender offer at

$86.50 per share, the Revised Offer Price presents a 13.0% premium. Based on the Company' s closing price of $81.64 on March 5, 2009, the day before Roche announced that it intended to increase its tender offer to $93.00 per share, the Revised Offer Price presents a 16.4% premium.

Possible Decline in the Company Market Price If Roche Withdraws. The Special Committee noted the possibility that, if a transaction with Roche is not completed and Roche were to withdraw any and all proposals or offers to acquire Shares, the market price of the Shares could decline significantly.

Opinion of Goldman, Sachs & Co. The Special Committee considered a presentation from Goldman Sachs and that Goldman Sachs rendered its opinion to the Special Committee, subsequently confirmed in writing, that, as of March 11, 2009 and based upon and subject to the factors and assumptions set forth in the written opinion, the $95.00 per Share price proposed to be paid to the holders of Shares (other than Roche and any of its affiliates) pursuant to the Merger Agreement was fair from a financial point of view to such holders. **The full text of the written opinion of Goldman Sachs, dated March 11, 2009, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex B. Goldman Sachs provided its opinion for the information and assistance of the Special Committee in connection with its consideration of the Revised Offer and the transactions contemplated by the Merger Agreement and of Dr. Arthur Levinson in his capacity as a member of the Board of Directors, in connection with his consideration of the Revised Offer and the transactions contemplated by the Merger Agreement. The opinion of Goldman Sachs is not a recommendation as to whether or not any holder of the Shares should tender such Shares in connection with the Revised Offer or any other matter.**

Terms of the Merger Agreement. The Special Committee also reviewed the terms of the Merger Agreement. The Merger Agreement provides for: (i) a "minimum condition" which, subject to certain adjustments, conditions the Revised Offer on at least a majority of the Company' s outstanding Shares (other than those owned by Roche, Roche' s management, and management of the Company) being tendered in the Revised Offer; (ii) a commitment by Roche to consummate a merger of the Company with Roche at a price equal to the Revised Offer Price, as promptly as practicable following the consummation of the Revised Offer (and the Special Committee noted that, in the absence of the Merger Agreement, Roche would be subject to no such obligation in the event that Roche does not own 90% or more of the outstanding Shares after consummation of any tender offer); and (iii) a commitment by Roche to extend the expiration date of the Revised Offer until April 1, 2009 if at any earlier scheduled expiration of the Revised Offer the conditions have not been satisfied. The Special Committee noted that, under the Merger Agreement, Roche is under no obligation to extend the expiration date of the Revised Offer past April 1, 2009, and Roche is not permitted to do so without the consent of the Company.

Lack of Strategic Alternatives. The Special Committee took into account that Roche currently owns approximately 56% of the outstanding Shares and that Roche has publicly stated that it is not interested in selling its shares of the Company. Accordingly, the Special Committee concluded that an acquisition of the Company by a third party was not a feasible alternative, nor is the Special Committee aware of any other party making a proposal to buy the Company or any significant minority stock ownership position in the nearly eight months since Roche made its initial proposal to acquire the Company.

Certain Rights Associated With Roche' s 56% Percent Ownership. Roche currently has sufficient power, through its holdings of Company Shares and its right to obtain majority representation of the Company' s Board, to approve a merger of the Company with Roche, involving a different price or form of consideration and other terms and conditions than those governing the Revised Offer and Merger, without the affirmative vote of any other stockholder of the Company or the approval of the independent directors of the Company, subject to compliance with the terms of the Affiliation Agreement and Roche' s fiduciary duties.

Availability of Dissenters' Appraisal Rights. The Special Committee considered that under Delaware law, Company stockholders who believe that $95.00 per Share does not reflect the fair value of their Shares may elect to have the fair value of their Shares judicially determined if such stockholders comply with the provisions of the

Delaware General Corporation Law. Dissenters rights include value at the time of the Merger, and changes in the business prior to consummation of the Merger will affect value of appraisal rights.

Potentially Negative Factors.

The Special Committee considered the following factors to potentially be generally negative or not supportive in making its determination and recommendation.

Loss of Ability to Participate in the Future Growth of the Company. Any stockholder who tenders all its Shares in the Revised Offer or has its Shares converted into cash in a subsequent merger would cease to participate in the future earnings or growth, if any, of the Company or benefit from increases, if any, in the value of the Company, including any increases due to the results of the Company' s Avastin Trial and the Company' s other ongoing clinical trials.

No Right of Company Stockholders To Possibly Receive an Amount in Excess of the Revised Offer Price in a Merger Under the Affiliation Agreement. Under the terms of the existing Affiliation Agreement, a merger of the Company with Roche may require a determination of fair value of the Company by two investment banks. In particular, Roche has acknowledged in its prior tender offer statements that, when Roche acquires 90% or more of the outstanding Shares, the Company stockholders who did not tender their Shares in the tender offer would receive a minimum price in the short-form merger equal to the tender offer price, and possibly more if the fair value determined by the two investment banks was higher than the merger price. On March 10, 2009, the parties to the litigation in the Court of Chancery in Delaware agreed to grant the Special Committee the right to select the two investment banks and to supervise and direct their work and also agreed to provide for expanded appraisal or quasi-appraisal rights for Company stockholders in the short-form merger. The Merger Agreement amends the Affiliation Agreement to makes these provisions inapplicable to the Merger. Accordingly, if the Revised Offer is consummated, those stockholders whose Shares are not tendered into the Revised Offer will not have the right under the Affiliation Agreement to receive in the subsequent merger any amount in excess of the Revised Offer Price.

No Meaningful Right of Minority Stockholders To Vote on the Merger. The Special Committee noted the fact that if the Revised Offer is completed, the Company' s remaining shareholders who are unaffiliated with Roche will not have a meaningful opportunity to vote on the Merger, because following completion of the Revised Offer, Roche will control at least approximately 78% of the Company' s outstanding Shares, and therefore Roche will control the votes required to approve the Merger. In addition, Roche may be able to consummate the Merger without any shareholder vote if Roche owns more than 90% of the Company' s outstanding Shares. Although in certain cases, the Affiliation Agreement may require that the Company stockholders vote on the Merger prior to its consummation, the Merger Agreement amends the Affiliation Agreement to make these provisions inapplicable to the Merger.

The foregoing discussion of the Special Committee' s reasons for its recommendation to accept the Revised Offer is not intended to be exhaustive, but describes all of the material reasons underlying the Special Committee' s recommendation. The Special Committee did not find it practicable to, and did not quantify or otherwise assign relative weights to, the specific reasons underlying its determination and recommendation. Rather, the Special Committee viewed its determination and recommendation as being based on the totality of the information and factors presented to and considered by the Special Committee.

Process and Procedural Fairness.

The Special Committee believes that sufficient procedural safeguards were and are present to ensure the fairness of the transaction and to permit the Special Committee to represent effectively the interests of the Company' s stockholders other than Roche and its affiliates, each of which the Special Committee believes supports its decision and provides assurance of the fairness of the transaction to the Company' s stockholders other than Roche and its affiliates. The Special Committee believes that the process it followed in making its determination and recommendation with respect to the Merger Agreement was fair because:

- The Revised Offer is conditioned upon there being validly tendered and not withdrawn prior to the expiration of the Revised Offer a number of Shares representing at least a majority of the outstanding Shares, excluding shares owned by Roche, the officers, directors and controlling shareholders of Roche Holding and the officers and directors of the Company.

- The Special Committee consists solely of directors who are not affiliates of Roche, and who do not otherwise have a conflict of interest or lack independence with respect to the transaction.

- The resolutions establishing the Special Committee provided that the Board of Directors would not approve any transaction involving the acquisition of the Company by Roche or any of its affiliate that was not approved by the Special Committee.

- The Special Committee retained and was advised by independent financial and legal advisors. The Special Committee, with the assistance of its financial and legal advisors, extensively negotiated with Roche and its representatives.

- The Special Committee acted diligently in discharging its responsibilities, and, with limited exceptions, met on a weekly basis over the last seven months.

Factors Not Considered.

The Special Committee did not consider liquidation value in determining the fairness of the Revised Offer to the Company’ s stockholders other than Roche and its affiliates because of its belief that liquidation value does not present a meaningful valuation for the Company and its business as it believes the Company is a viable going concern and its value is derived from the cash flows generated from its continuing operations rather than from the value of assets that might be realized in a liquidation.

The Special Committee did not consider net book value in determining the fairness of the Revised Offer to the Company’ s stockholders other than Roche and its affiliates because of its belief that net book value does not present a meaningful valuation for the Company and its business as the Company’ s value is derived from the cash flows generated from its continuing operations.

The Special Committee also did not consider purchase prices paid by it to purchase Shares within the past two years because (1) those prices ranged from approximately $66.25 to $90.24 per Share compared to the Revised Offer Price of $95.00 per Share and (2) the Company has not purchased Shares for prices above the Revised Offer Price during the past two years.

The Special Committee is not aware of any firm offers that have been made for the Company during the past two years for (a) the merger or consolidation of the Company with or into another company, or vice versa; (b) the sale or other transfer of all or any substantial part of the assets of the Company; or (c) a purchase of the Company’ s securities that would enable the holder to exercise control of the Company other than by Roche, and the Company did not solicit any firm offers during such period, and in any event, Roche has publicly stated that it is not interested in selling its shares of the Company, and, therefore, the Special Committee did not consider any such offers in reaching its conclusion as to fairness.

A majority of the directors of the Company who are not employees of the Company have not retained an unaffiliated representative to act solely on behalf of unaffiliated stockholders for purposes of preparing a report concerning the fairness of the transaction. Because the Special Committee has retained Goldman Sachs and Latham as its financial and legal advisors respectively to assist it in considering a potential transaction and in light of the procedural safeguards discussed above, however, the Special Committee does not believe that the failure to retain such a representative is material.

17. The following sentence replaces the sentence under the heading "– Intent to Tender":

To the Company' s knowledge, after making reasonable inquiry, all of the Company' s executive officers and directors currently intend to tender into the Revised Offer.

Item 5. ***Persons/Assets, Retained, Employed, Compensated or Used.***

Item 5 is hereby revised and supplemented as follows:

1. The following information is added at the end of Item 5:

Estimated Fees and Expenses

The following is an estimate of fees and expenses to be incurred by the Company in connection with the Revised Offer:

Description	Amount ($)
Legal Fees	16,000,000.00
Solicitation and Public Relations Expenses	3,830,000.00
Printing Expenses	400,000.00
Financial Advisor Fees and Expenses	30,500,000.00
Total	**50,730,000.00**

Item 7. ***Purposes of the Transaction and Plans or Proposals.***

Item 7 is hereby revised and supplemented as follows:

1. The paragraph under Item 7 is replaced with the following:

The timing of the transaction between the Company and Roche was initiated by Roche. The Special Committee determined to proceed with the Revised Offer and the Merger at this time because it thought it was in the best interests of the Company' s stockholders other than Roche and its affiliates. In making this determination, the Special Committee specifically concluded that following the substantial increase in Roche' s offer price from $86.50 to $93.00, particularly in light of the deterioration in the equity capital markets, that it was an appropriate time to determine if Roche was prepared to enter into direct price negotiations.

In making the decision to enter into the Merger Agreement, the Special Committee also considered, on several occasions, the expected timing of the announcement of the results of the Avastin Trial, which are expected in mid-April 2009. The Special Committee recognized that the results of the Avastin Trial would have a meaningful impact on the value of the Company. Positive results would positively, and meaningfully, affect the value of the Company and likewise, negative results would negatively, and meaningfully, effect the value of the Company. Beginning in August 2008, the Special Committee determined that if a proposal from Roche fairly valued the Company, including the probability-adjusted upsides and downsides of positive and negative results in the Avastin Trial, the Special Committee would not reject a transaction with Roche merely to wait for the Avastin Trial results. Because the Special Committee believes the Revised Offer Price appropriately reflects the long-term value creation potential of the Company' s business plan, including the potential for Avastin in the adjuvant setting, the Special Committee determined to enter into the Merger Agreement before the results of the Avastin Trial were announced.

The purpose of proceeding with the Revised Offer and the Merger at this time, in the view of the Special Committee, is to afford the Company' s stockholders other than Roche and its affiliates the ability to dispose of their Shares at a premium over market prices prevailing prior to the time that Roche' s intention to make the Offer was announced and appropriately reflects the long-term value creation potential of the Company' s business plan. The transaction also provides the Company' s stockholders other than Roche and its affiliates with immediate liquidity for their Shares, without subjecting them to the risks associated with the Company' s business plan or inherent in the industry.

The Special Committee understands that maintaining the status quo ownership structure was not a viable alternative, because Roche has determined that maintaining the current ownership structure of the Company is not an option from Roche' s perspective and that Roche intends that it will complete its acquisition of the Company. Moreover, the Special Committee believes the Revised Offer and the Merger provide more value to the Company' s stockholders other than Roche and its affiliates than maintaining the status quo ownership structure.

Additionally, alternative transaction structures with Roche considered by the Special Committee, including the use of Roche equity as all or part of the transaction consideration, an increase in Roche' s ownership of the Company and extension of the Commercialization Agreement, and potential spin-off transactions, were immediately rejected by Roche. Under the terms of the Affiliation Agreement, any sale of the Company requires the approval of the directors on our Board of Directors designated by Roche. Moreover, the Special Committee took into account that Roche currently owns approximately 56% of the outstanding Shares and that Roche has publicly stated that it is not interested in selling its shares of the Company. Accordingly, the Special Committee concluded that an acquisition of the Company by a third party was not a feasible alternative, nor is the Special Committee aware of any other party making a proposal to buy the Company or any significant minority stock ownership position in the nearly eight months since Roche made its initial proposal to acquire the Company.

For these reasons and the reasons discussed in Item 4 "− Reasons for the Recommendation of the Company," the Company, based upon the unanimous recommendation of the Special Committee, has determined that the Merger Agreement and the transaction contemplated thereby, including the Revised Offer and the Merger, are advisable and fair to and in the best interests of the Company' s stockholders, other than Roche and its affiliates. Accordingly, the Company, based upon the unanimous recommendation of the Special Committee, recommends that the Company' s stockholders accept the Revised Offer and tender their Shares in to the Revised Offer and, if stockholder approval is required under Delaware law, adopt the Merger Agreement and the transactions contemplated thereby.

Except as described in this Schedule 14D-9 (including in the Exhibits to this Schedule 14D-9) or as incorporated in this Schedule 14D-9 by reference, neither the Special Committee nor the Company has any knowledge of any negotiation being undertaken or engaged in by the Special Committee or the Company that relates to or would result in (i) a tender offer for, or other acquisition of, Shares by Roche, any of its subsidiaries, or any other person, (ii) any extraordinary transaction, such as a merger, reorganization or liquidation, involving the Company or any of its subsidiaries, (iii) any purchase, sale or transfer of a material amount of assets of the Company or any of its subsidiaries or (iv) any material change in the present dividend rate or policy, indebtedness or capitalization of the Company. Except as described or referred to in this Schedule 14D-9 or the annexes and exhibits to this Schedule 14D-9 or the Revised Offer, to the knowledge of the Special Committee and the Company, there are no transactions, board resolutions, agreements in principle or contracts entered into in response to the Revised Offer which relate to or would result in one or more of the matters referred to in the preceding sentence.

Item 8. ***Additional Information.***

Item 8 is amended and supplemented by adding the following information at the end of the section titled "Litigation":

On March 9, 2009, the Court of Chancery heard plaintiffs' motion for a preliminary injunction seeking to enjoin the Offer. The Court indicated that it was inclined to deny the motion provided that the parties enter into an agreement reflecting certain representations and commitments made by Roche at the hearing with respect to the process related to the two-banker valuation provided for in Section 4.03 of the Affiliation Agreement and expanded appraisal or quasi-appraisal rights in the event Roche owns 90% or more of Genentech' s stock following consummation of the Offer.

On February 23, 2009, another putative shareholder class action complaint captioned *Gerber v. Roche Holding Ltd*. was filed against Roche Investments and Roche Holding in the United States District Court for the Northern District of California. The complaint alleges that Roche violated the federal securities laws and their fiduciary and common law duties by making allegedly false and misleading statements in connection with the Offer and as a controlling person, and that the Offer is being made at an inadequate price in violation of Roche' s fiduciary duties. On March 9, 2009, an amended complaint was filed to reference additional disclosures made by Roche and the Company since the filing of the original complaint. The amended complaint seeks certification of the action as a class and an award of damages, costs and expenses, including attorneys' fees.

Item 9. ***Exhibits.***

Item 9 is amended and supplemented by adding the following thereto:

(a)(10) Letter, dated March 12, 2009, from the Special Committee to the Company' s stockholders

(a)(11) Press release issued by the Company and Roche on March 12, 2009 (which is incorporated herein by reference to Exhibit (a)(5)(li) of Amendment No. 4 to the Schedule TO filed by Roche Investments USA Inc. on March 12, 2009)

(c)(1) Presentation by Goldman Sachs & Co. to the Special Committee, dated August 12, 2008

(c)(2) Presentation by Goldman Sachs & Co. to the Special Committee, dated September 29, 2008

(c)(3) Presentation by Goldman Sachs & Co. to the Special Committee, dated October 13, 2008

(c)(4) Presentation by Goldman Sachs & Co. to the Special Committee, dated November 3, 2008

(c)(5) Presentation by Goldman Sachs & Co. to the Special Committee, dated December 10, 2008

(c)(6) Presentation by Goldman Sachs & Co. to the Special Committee, dated February 13, 2009

(c)(7) Presentation by Goldman Sachs & Co. to the Special Committee, dated February 22, 2009

(c)(8) Presentation by Goldman Sachs & Co. to the Special Committee, dated March 11, 2009

(d)(1) Indenture, dated as of July 18, 2005, between the Company and Bank of New York, as trustee, filed on a Current Report on Form 8-K with the Commission on July 19, 2005 and incorporated herein by reference

(d)(2) Officers' Certificate of Genentech, Inc. dated July 18, 2005, including forms of the Company' s 4.40% Senior Notes due 2010, 4.75 Senior Notes due 2015 and 5.25% Senior Notes due 2035, filed on a Current Report on Form 8-K with the Commission on July 19, 2005 and incorporated herein by reference

(d)(3) Form of 4.40% Senior Note due 2010, filed on a Current Report on Form 8-K with the Commission on July 19, 2005 and incorporated herein by reference

(d)(4) Form of 4.75% Senior Note due 2010, filed on a Current Report on Form 8-K with the Commission on July 19, 2005 and incorporated herein by reference

(d)(5) Form of 5.25% Senior Note due 2035, filed on a Current Report on Form 8-K with the Commission on July 19, 2005 and incorporated herein by reference

(e)(23) Agreement and Plan of Merger by and among the Company, Roche Holdings, Inc., and Roche Investments USA Inc., dated March 12, 2009 (which is incorporated herein by reference to Exhibit (d)(ix) of Amendment No. 4 to the Schedule TO filed by Roche Investments USA Inc. on March 12, 2009)

(e)(24) Guarantee by Roche Holding Ltd, dated March 12, 2009 (which is incorporated herein by reference to Exhibit (d)(x) of Amendment No. 4 to the Schedule TO filed by Roche Investments USA Inc. on March 12, 2009)

(e)(25) Second Stipulation and Agreement Resolving Certain Issues, dated March 11, 2009

Goldman, Sachs & Co. | 85 Broad Street | New York, New York 10004
Tel: 212-902-1000

PERSONAL AND CONFIDENTIAL

March 11, 2009

Special Committee of the Board of Directors
and Dr. Arthur Levinson in his capacity as a member
of the Board of Directors
Genentech, Inc.
1 DNA Way
South San Francisco, California 94080

Ladies and Gentlemen:

You have requested our opinion as to the fairness from a financial point of view to the holders (other than Offeror (as defined below) and any of its affiliates) of the outstanding shares of common stock, par value $0.02 per share (the "Shares"), of Genentech, Inc. (the "Company") of the $95.00 per Share in cash proposed to be paid to such holders pursuant to the Agreement (as defined below). The Agreement and Plan of Merger dated as of March 12, 2009 (the "Agreement"), among the Company, Roche Investments USA Inc. (the "Offeror"), an indirect wholly owned subsidiary of Roche Holding Ltd ("Parent"), and Roche Holdings, Inc., an indirect wholly owned subsidiary of Parent, provides for an offer (the "Offer") for all of the Shares not owned by Parent or its subsidiaries pursuant to which, subject to the satisfaction of certain conditions set forth in the Agreement, Offeror will pay $95.00 in cash, without interest, for each Share accepted. The Agreement further provides that, following completion of the Offer, and subject to the satisfaction of certain conditions set forth in the Agreement, Offeror will be merged with and into the Company (the "Merger") and each Share (other than certain Shares owned by the Company or any of its subsidiaries, Shares owned by Parent or any of its affiliates and Shares dissenting from the Merger in accordance with Delaware law) will be converted into the right to receive $95.00 in cash, without interest.

Goldman, Sachs & Co. and its affiliates are engaged in investment banking and financial advisory services, securities trading, investment management, principal investment, financial planning, benefits counseling, risk management, hedging, financing, brokerage activities and other financial and non-financial activities and services for various persons and entities. In the ordinary course of these activities and services, Goldman, Sachs & Co. and its affiliates may at any time make or hold long or short positions and investments, as well as actively trade or effect transactions, in the equity, debt and other securities (or related derivative securities) and financial instruments (including bank loans and other obligations) of the Company, Offeror, Parent and any of their respective affiliates or any currency or commodity that may be involved in the transactions contemplated by the Agreement (the "Transactions") for their own account and for the accounts of their customers. We have acted as financial advisor to the Special Committee of the Board of Directors of the Company (the "Special Committee") in connection with its consideration of, and have participated in certain of the negotiations leading to, the Transactions and other matters pursuant to our engagement by the Special Committee. We have received fees, and expect to receive additional fees, for our services in connection with our engagement, including fees that will be payable whether or not the Transactions are completed, a fee that would be payable upon the announcement of, or execution by the Company of, the Agreement and a fee that would be payable upon the successful completion of the Transactions. The Company has agreed to reimburse our expenses and indemnify us against certain liabilities arising out of our engagement. In addition, we have provided certain investment banking and other financial services to the Company and its affiliates from time to time, including having acted as counterparty with respect to a derivative transaction entered into by the Company in November 2007. We also have provided certain investment banking and other financial services to Offeror and its affiliates from time to time. We also may provide investment banking and other financial services to the Company, Offeror, Parent and their respective affiliates in the future. In connection with the above-described services we have received, and may receive, compensation.

In connection with this opinion, we have reviewed, among other things, the Agreement; the Tender Offer Statement and Rule 13E-3 Transaction Statement filed by Offeror with the Securities and Exchange Commission on February 9, 2009 under cover of Schedule TO, as amended by Amendment No. 1 thereto filed on March 2, 2009, Amendment No. 2 thereto filed on March 6, 2009 and Amendment No. 3 thereto filed on March 6, 2009 (as so amended, the "Schedule TO"), including the offer to purchase and related letter of transmittal (as supplemented or amended and restated as of the date hereof) contained therein; the Solicitation/Recommendation Statement of the Company on Schedule 14D-9 filed on February 23, 2009, as amended by Amendment No. 1 thereto filed on February 24, 2009, Amendment No. 2 thereto filed on March 2, 2009, Amendment No. 3 thereto filed on March 3, 2009 and Amendment No. 4 thereto filed on March 6, 2009 (as so amended, the "Schedule 14D-9"); annual reports to stockholders and Annual Reports on Form 10-K of the Company for the five fiscal years ended December 31, 2008; annual reports to stockholders of Parent for the five fiscal years ended December 31, 2008; certain interim reports to stockholders and Quarterly Reports on Form 10-Q of the Company; certain interim reports to stockholders of Parent; certain other communications from the Company and Parent to their respective stockholders; certain publicly available research analyst reports for the Company and Parent; and certain internal financial analyses and forecasts for the Company prepared by its management and approved for our use by the Special Committee (the "Forecasts"). We also have held discussions with members of the senior management of the Company and the Special Committee regarding their assessment of the past and current business operations, financial condition and future prospects of the Company, including their views on the risks and uncertainties associated with achieving the Forecasts. In addition, we have reviewed the reported price and trading activity for the Shares, compared certain financial and stock market information for the Company with similar information for certain other companies the securities of which are publicly traded, reviewed the financial terms of certain recent business combinations and performed such other studies and analyses, and considered such other factors, as we considered appropriate.

For purposes of rendering this opinion, we have relied upon and assumed, without assuming any responsibility for independent verification, the accuracy and completeness of all of the financial, legal, regulatory, tax, accounting and other information provided to, discussed with or reviewed by us. In that regard, we have assumed with your consent that the Forecasts have been reasonably prepared. In addition, we have not made an independent evaluation or appraisal of the assets and liabilities (including any contingent, derivative or off-balance-sheet assets and liabilities) of the Company, Parent, Offeror or any of their respective subsidiaries and we have not been furnished with any such evaluation or appraisal. Our opinion does not address any legal, regulatory, tax or accounting matters.

Our opinion does not address the underlying business decision of the Company to engage in the Transactions, or the relative merits of the Transactions as compared to any strategic alternatives that may be available to the Company. This opinion addresses only the fairness from a financial point of view, as of the date hereof, of the $95.00 per Share in cash proposed to be paid to the holders of Shares (other than Offeror and any of its affiliates) pursuant to the Agreement. We do not express any view on, and our opinion does not address, the fairness of the Transactions to, or any consideration received in connection therewith by, Offeror and any of its affiliates, the holders of any other class of securities, creditors, or other constituencies of the Company or Offeror; nor as to the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors or employees of the Company or Offeror, or class of such persons in connection with the Transactions, whether relative to the $95.00 per Share in cash proposed to be paid to the holders of Shares pursuant to the Agreement or otherwise. Our opinion is necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to us as of, the date hereof and we assume no responsibility for updating, revising or reaffirming this opinion based on circumstances, developments or events occurring after the date hereof. Our advisory services and the opinion expressed herein are provided for the information and assistance of the Special Committee in connection with its consideration of the Transactions and of Dr. Arthur Levinson, in his capacity as a member of the Board of Directors of the Company, in connection with his consideration of the Transactions, and such opinion does not constitute a recommendation as to whether or not any holder of Shares should tender such Shares in connection with the Offer or how any holder of Shares should vote with respect to the Merger or any other matter. This opinion has been approved by a fairness committee of Goldman, Sachs & Co.

Based upon and subject to the foregoing, it is our opinion that, as of the date hereof, the $95.00 per Share in cash proposed to be paid to the holders of Shares (other than Offeror and any of its affiliates) pursuant to the Agreement is fair from a financial point of view to such holders.

Very truly yours,

/s/ Goldman, Sachs & Co.

GOLDMAN, SACHS & CO.

ANNEX C

2008 DIRECTOR COMPENSATION

The following information outlines the compensation paid to our Non-Employee Directors, including annual board and committee retainer fees, and meeting attendance fees for the fiscal year ended December 31, 2008:

Name	Fees Earned or Paid in Cash ($)(1)		Option Awards ($)(2)	All Other Compensation ($)	Total ($)
Herbert W. Boyer	188,000	(3)	307,800	0	495,800
William M. Burns	0	(4)	0	0	0
Erich Hunziker	0	(4)	0	0	0
Jonathan K.C. Knowles	0	(4)	0	0	0
Debra L. Reed	196,500	(5)	508,402	0	704,902
Charles A. Sanders	209,000	(6)	307,800	0	516,800

(1) In 2008, each non-employee director was eligible to receive an annual cash retainer fee of $65,000 per year and was eligible to receive a fee of $2,500 for each Board meeting at which the director was present in person and $500 for each Board meeting at which the director was present by telephone. In addition, any director who was required to arrive at the site of a Board meeting one full day or more in advance of the meeting to be present in a timely manner was eligible to receive an additional amount of $1,000 for each day such director spent at the site prior to the meeting. Each member of the Audit Committee was eligible to receive a fee of $1,500 for each committee meeting at which the director was present in person and $500 for each committee meeting at which the director was present by telephone. In addition, the Chair of the Audit Committee was eligible to receive an annual cash retainer fee of $20,000 and each other Audit Committee member was eligible to receive an annual cash retainer fee of $5,000. Each member of the Corporate Governance Committee was eligible to receive a fee of $1,000 for each committee meeting at which the director was present in person. Additional fees were paid to Drs. Boyer and Sanders and Ms. Reed for their roles on the Special Committee, as described in footnotes (3), (5), and (6) below.

(2) These amounts reflect expense recognized by us in 2008 for a portion of the current and prior year option awards to directors. Reference is made to Note 3 "Employee Stock-Based Compensation" in our Form 10-K for the period ended December 31, 2008, filed with the SEC on February 20, 2009, which identifies assumptions made in the valuation of option awards in accordance with Financial Accounting Standards No. 123R ("FAS 123R"). In 2008, our independent directors were eligible to receive a stock option to purchase 10,000 shares of our Common Stock upon re-election to the Board at each Annual Meeting. In addition to the re-election grant, our independent directors are eligible to receive a stock option for the purchase of up to an additional 5,000 shares of Common Stock, based upon our performance against median peer company performance for the previous fiscal year. These options vest over a twelve-month period with half of the shares vesting on the six month anniversary of the grant date and the other half vesting monthly in equal installments over the remaining six months. New independent directors are eligible to receive a stock option to purchase 20,000 shares of our Common Stock upon first election to the Board. These options granted upon the first election vest twenty-five percent at the end over the first year and monthly thereafter for the remaining three years. Drs. Boyer and Sanders and Ms. Reed each were granted an option to purchase 15,000 of Common Stock on April 15, 2008, and such options are outstanding as of December 31, 2008. The grant date fair value of each such option computed in accordance with FAS 123R was $312,068.

(3) Includes an annual retainer of $65,000, a retainer fee for Dr. Boyer’ s role on the Audit Committee of $5,000, and fees of $23,000 for Board and Committee meetings attended. Also includes an additional retainer fee of $35,000 for his role on the Special Committee and additional fees of $60,000 for Special Committee meetings attended.

(4) Genentech directors who serve on the Board as Roche representatives have declined any compensation for their service.

(5)

Includes an annual retainer of $65,000, a retainer fee for Ms. Reed’ s role as chairperson for the Audit Committee of $20,000, and fees of $19,000 for Board and Committee meetings attended. Also includes an additional retainer fee for her role on the Special Committee of $35,000 and additional fees of $57,500 for Special Committee meetings attended.

(6) Includes an annual retainer of $65,000, a retainer fee for Dr. Sanders' role on the Audit Committee of $5,000, and fees of $24,000 for Board and committee meetings attended. Also includes an additional retainer fee for his role as chairperson for the Special Committee of $50,000, additional fees of $60,000 for Special Committee meetings attended, and fees of $5,000 for additional time spent on Special Committee matters.

Compensation information for our employee director, Dr. Levinson, is included in "Compensation of Named Executive Officers" beginning on page C-13.

EQUITY COMPENSATION PLAN INFORMATION

We show below information as of December 31, 2008 regarding our equity compensation plans under which our Common Stock is authorized for issuance.

Plan category	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options $/share	Number of securities remaining available for future issuance (excluding securities reflected in first column)
Plans approved by stockholders			
2004 Equity Incentive Plan[1]	30,106,854	79.34	48,864,237
1999 Stock Plan[1]	47,096,126	52.89	7,648,493
1994 Stock Option Plan	135,000	6.27	0 [2]
1990 Stock Option/Stock Incentive Plan	69,234	8.91	0 [2]
1991 Employee Stock Plan	(3)	(3)	1,898,485
All plans approved by stockholders	77,407,214	63.06	58,411,215
Plans not approved by stockholders	–	–	–

(1) Up to a maximum of 20,000,000 shares that are currently available under the 1999 Stock Plan or that would have otherwise been returned to our 1999 Stock Plan on account of expiration or forfeiture of awards will be available for issuance under the 2004 Equity Incentive Plan.

(2) We no longer grant stock options under our 1990 Stock Option/Stock Incentive Plan, 1994 Stock Option Plan, or our 1999 Stock Plan, but stock option grants remain outstanding under those plans.

(3) Under the Company's 1991 Employee Stock Plan, participants are permitted to purchase our Common Stock at a discount on certain dates through payroll deductions within a pre-determined purchase period. Accordingly, these numbers are not determinable.

Elements of Compensation

Base Salary

We pay base salaries to compensate our Chief Executive Officer, Chief Financial Officer, and our three additional most highly compensated executive officers (the “NEOs”) for performing specific job responsibilities. Base salaries represent a fixed portion of compensation and vary by position. Our base salary program for NEOs follows the same methodology used for all employees in terms of our benchmarking and positioning relative to the Comparator Group. The group of thirteen comparator companies is selected and approved by the Compensation Committee based on industry and scope (market capitalization and revenue) and consists of the following companies: Abbott Laboratories, Allergan, Inc., Amgen Inc., Biogen Idec Inc., Bristol-Myers-Squibb Company, Eli Lilly and Company, Genzyme Corporation, Gilead Sciences, Inc., Johnson & Johnson, Merck & Co., Inc., Pfizer Inc., Schering-Plough Corporation, Wyeth (the “Comparator Group”). We consider a broad set of factors in setting base salary for our NEOs including an individual’ s current base salary, individual performance, total cash and total direct compensation as it compares to the market, and the relationship of pay to other senior officers in the Company.

The benchmarking process for our NEOs is conducted annually by the Company' s Human Resources Department and includes a review of aggregate compensation of each executive officer position. We use available proxy statement data developed by Mercer Human Resource Consulting ("Mercer") and published compensation survey sources for this review and assessment.

The following objectives guided the Compensation Committee with respect to base salary:

Competitiveness: The Compensation Committee reviewed the competitive positioning of base pay for each of our NEOs against the base pay of similar jobs in our Comparator Group, regressed for our revenue size. Included in the review was the increase required to move each of our NEOs to the 50th percentile of market base pay, which is the desired base pay positioning on average for our entire employee population. The Compensation Committee also considered the competitive pay positioning of total cash and total compensation and the relationship of the base pay levels to the overall pay positioning. The base pay increase of each of our NEOs, except Dr. Levinson, resulted in a base pay level between the 44th and 55th percentile. Dr. Levinson declined a salary increase for the fourth year in a row, resulting in a base pay level at the 3rd percentile.

Corporate Performance is not a direct factor in the design and administration of our base salary.

Individual Performance: Each NEO' s overall performance is reviewed by the Compensation Committee. This review is done with the CEO for all other NEO positions, and by the Compensation Committee separately for the CEO.

Cost-effectiveness is considered in the design of our compensation programs in that we set our Company average base salary at market 50th percentile, placing an upward limit on our fixed compensation.

Equitable Compensation: The Compensation Committee reviewed the base pay of each of our NEOs at the same time and examined the pay relationship between the NEOs and other senior officers, taking into consideration job scope and individual performance.

Bonus

We choose to award bonuses in order to reward annual performance and bonuses are expressly linked to successful achievement of pre-specified annual corporate performance goals. Among all compensation to NEOs, bonuses provide the most direct link between compensation levels and annual corporate performance. Our bonus program for our NEOs is the same program as that utilized with our other employees. Bonuses are paid in cash.

Overall Bonus Pool Funding: Our bonus pool funding is based on an analysis of bonus funding levels as a percent of net income at our Comparator Group, as well as broader biotechnology and pharmaceutical companies (the "Bonus Pool Comparator Group"). Our bonus pool funding is composed of two parts − a base bonus pool and an incremental bonus pool. The base bonus pool, which is linked to performance of specific annual corporate objectives, targets the 50th percentile of net income percentage bonus pool contribution used by the Bonus Pool Comparator Group. The incremental bonus pool, which is linked to earnings per share ("EPS") and operating revenue growth relative to the Comparator Group, targets up to the 75th percentile of net income percentage bonus pool contribution used by the Bonus Pool Comparator Group.

Corporate Performance Goals: The Compensation Committee approves annual performance goals generally at its December meeting for the subsequent fiscal year or at its February meeting for the current fiscal year. Our performance on these goals determines the amount of funds available in the bonus pool and if a bonus will be paid to all eligible employees, including NEOs. The Company does not have a separate set of performance goals for NEOs, but rather utilizes the same set of goals that apply to all Company employees. The table below identifies the corporate performance goals for the performance period January 1, 2008 through December 31, 2008, the percentage of base bonus linked to each base goal, the percentage of incremental bonus linked to each incremental goal, and whether the Company achieved each goal:

2008 BONUS GOALS

Financial/Corporate	**Percentage of Base Bonus**	**Percentage of Goals Achieved**	**Goal Met**
	30 %	100 %	
Achieve targeted non-GAAP earnings per share* ("EPS") or greater growth			Yes
−If 2008 EPS is less than 100% but greater than or equal to 97.3% of target then bonus amount is 80% of target bonus pool			
−If 2008 EPS is less than 97.3% but greater than or equal to 94.3% of target then bonus amount is 50% of target bonus pool			
Achieve specified pre-tax operating margin			Yes
Procurement, in collaboration with business, identifies and implements cost savings initiatives resulting in a specified amount in savings (capital plus expense) in 2008			Yes

Research & Development	**Percentage of Base Bonus**	**Percentage of Goals Achieved**	**Goal Met**
	35 %	82.3 %	
Achieve targeted non-GAAP earnings per share* ("EPS") or greater growth			Yes
Early Development: Addition of specified number of new molecular entities ("NMEs") into early development by Q4 '08			Yes
New Development Projects: Addition of specified number of NMEs into development pipeline by Q4 '08			Yes
Achieve Phase I First Patient In in a specified number of studies by Q4 '08			Yes
Achieve Phase II First Patient In in a specified number of NMEs by Q4 '08			Yes

Enroll patients in specified clinical studies			Partially Met
Make Go/No Go decisions for specified molecules			Yes
Review and assess specified Phase III clinical data by Q2 ‘08			Yes
Submit a specified sBLA to the FDA by Q3 ‘08			Yes
Achieve Phase III First Patient In in a specified study by Q1 ‘08			Yes

Commercial	**Percentage of Base Bonus**	**Percentage of Goals Achieved**	**Goal Met**
	20 %	90 %	
Achieve specified total net U.S. sales			Yes
−If U.S. sales are equal to or greater than a specified amount then bonus amount equals 100% of target			
−If U.S. sales are equal or greater than a specified amount then bonus amount equals 80% of target			
Achieve specified burdened brand expense			Yes
Roll out future reimbursement strategy			Yes
Implement Phase 2 of Commercial IT roadmap			Partially Met

Product Operations/Regulatory Quality Compliance	Percentage of Base Bonus	Percentage of Goals Achieved	Goal Met
	15 %	70 %	
Acceptable regulatory agency inspections with no negative impact on our compliance status			Yes
Maintain a specified number of weeks of inventory of all products for a specified number of weeks of the year			Yes
Deliver at or below budgeted commercial cost of production			No
Hillsboro west coast distribution center operational by Q3 ‘08			Yes
Begin Singapore E. Coli plant (“ECP1”) engineering runs by Q4 ‘08			Yes
Achieve Operational Excellence Class A certification by Q4 ‘08			No
Establish accountability and key business processes by Q4 ‘08			Yes

2008 INCREMENTAL GOALS

Incremental Bonus	Percentage of Incremental Bonus	Percentage of Incremental Goals Achieved	Goal Met
*EPS growth vs. peer companies: up to $49.1 million for growth between peer median and 75th percentile	37.4 %	28 %	Partially Met
For each 1 percentile above median, $1.964 million added to pool			
− 60th percentile (10 x $1.964 million)			
− 75th percentile (25 x $1.964 million)			
Operating revenue growth vs. peer companies: up to $49.1 million for growth between peer median and 75th percentile	37.4 %	64 %	Partially Met

For each 1 percentile above median, $1.964 million added to pool					
− 60th percentile (10 x $1.964 million)					
− 75th percentile (25 x $1.964 million)					
Approval of Avastin in first line metastatic breast cancer	25.2	%	100	%	Yes
− Entire amount funded if achieve approval by 2/23/08					
INCREMENTAL BONUS TOTAL:	100	%	59.6	%	

* For 2008, non-GAAP financial measures exclude the effects of: (i) recurring amortization charges related to the 1999 redemption of our common stock (Redemption) by Roche Holdings, Inc. and our 2007 acquisition of Tanox, Inc. (Tanox), (ii) costs incurred by the company on behalf of the Special Committee in connection with its review of the Roche proposal (Roche Proposal), as well as legal costs incurred in defense of the Special Committee and/or its individual members in shareholder lawsuits filed in connection with the Roche Proposal, (iii) the net litigation settlement related to the City of Hope (COH) judgment and additional costs accrued related to the COH contract dispute based on the status of negotiations between the parties on amounts owed for periods subsequent to the original court judgment rendered in 2002, (iv) employee stock-based compensation expense, (v) recurring recognition of deferred royalty revenue related to the acquisition of Tanox, (vi) non-recurring asset impairment charges related to the acquisition of Tanox, and (vii) the related income tax effects of excluding these items.

The corporate performance goals for bonus awards seek to balance the desire for immediate increase in earnings and improvement in other financial performance measures and the longer term goal of enhancing stockholder value by bringing to market many of the potential therapies in our research and development pipeline. Each performance goal associated with the base bonus pool has an associated dollar value which contributes to the overall bonus pool only if the goal is achieved. Not all performance goals are weighted equally. In 2008, based on performance against the corporate performance goals, 87.3% of the total potential base bonus pool funding was achieved and 59.6% of the total potential incremental bonus pool funding was achieved. In 2008, our target bonus pool based on Comparator Group median for our NEOs was $6.1 million. Based upon the achievement of our goals, $12.3 million was available for our NEOs' bonus pool and based on the objectives considered by the Compensation Committee as described below, our NEOs were paid, in the aggregate, $9.4 million in bonuses.

Individual performance targets: Bonus targets, expressed as a percent of salary for the CEO and other NEOs, are set annually based on an evaluation of proxy statement data of the Comparator Group over the preceding five years to determine bonus percentages within competitive practice and are intended to correspond to 50th percentile bonus awards for the Comparator Group. The targets for the 2008 bonus were 167% of base salary for the CEO, 111% of base salary for the President, Product Development, and 94% of base salary for other NEOs. The bonus award percentage is applied to the greater of 2008 base salary or 2008 market median base salary (based on a composite of Comparator Group and survey data) to arrive at the bonus target. Subject to the Compensation Committee' s discretion otherwise, the CEO' s and other NEOs' target bonus award, can range from 0 to 2.25 times market median bonus, depending on corporate and individual performance.

Bonuses awarded: The bonus awarded to our CEO and other NEOs was based on the Company' s performance against the corporate performance goals as described above and the Compensation Committee' s recognition that our CEO' s and NEOs' performance in our achievement of those goals.

The following objectives guided the Compensation Committee with respect to awarding bonuses to our NEOs:

Competitiveness: The Compensation Committee reviewed the competitive positioning of annual bonus and total cash compensation (base salary plus annual bonus) for each of our NEOs against the pay of similar jobs in our Comparator Group, regressed for our revenue size. Included in the review was the annual bonus and total cash compensation at the 50th percentile up to 90th percentile using our Comparator Group' s five-year average bonus payouts as reported in annual proxy statements. Our annual performance relative to the Comparator Group is used to evaluate where along the continuum from the 50th to 90th percentile to set total cash compensation.

Corporate Performance: The corporate bonus pool, in which our NEOs participate, is funded by the attainment of goals that are approved by the Board of Directors as well as our financial performance in growth of operational revenue and earnings per share against our Comparator Group. The failure to achieve the goals would result in either a lower funding of the bonus pool or a lower payout.

Individual Performance: NEO performance is evaluated based on the extent to which the Company met its overall corporate goals and the extent to which an NEO helped contribute to the achievement of those goals. The Compensation Committee considered the achievement of corporate goals in determining NEO bonus amounts. This review is done with the CEO for all other NEO positions and by the Compensation Committee separately for the CEO.

Cost-effectiveness: The Compensation Committee reviews the cost-effectiveness of our bonus program to ensure resources are allocated in a manner that supports our business objectives. This is done in two ways. First, the overall funding of our bonus pool is based on an analysis of funding levels as a percent of net income at our Comparator Group, and our bonus pool is therefore funded as a percent of our net income. Second, the funding of our bonus pool is in part tied to the financial performance of the Company, specifically growth in operating revenue and earnings per share as measured against our Comparator Group.

Equitable Compensation: The Compensation Committee reviewed the bonus and total cash pay of each of our NEOs at the same time and examined the pay relationship between the NEOs and other senior officers, taking into consideration job scope and individual performance.

Both management and the Compensation Committee considered the likelihood or probability of the achievement of target levels of performance when recommending and approving, respectively, the performance targets and target bonuses. At the time the performance goals were set, the Compensation Committee believed that the goals would be challenging and difficult but achievable with significant effort and success in executing the Company' s strategy.

The corporate goals and associated bonus target amounts for January 1, 2009 to December 31, 2009 performance period fall into the following four categories, weighted as indicated: (i) corporate/financial goals, including growth in earnings per share and achievement of an operating margin target (30%); (ii) research and development goals relating to new molecular entities, patient enrollment, regulatory filings and the advancement of certain clinical trials (35%); (iii) commercial goals relating to product sales, expenses and reimbursement (20%) and (iv) product manufacturing and regulatory goals relating to regulatory inspections, inventory levels, facility licensure, qualification batches, production costs and facility operations (15%). An additional amount may be added to the bonus pool if we achieve certain earnings per share growth and operating revenue growth that are above the median of those same financial measures for our Comparator Group. Because the Company is currently working towards the 2009 goals, the bonus payments to be made in 2010 for the 2009 goals are not determinable at this time.

Stock Options

Stock option awards are intended to align the interests of our NEOs with those of our stockholders and to motivate our NEOs with respect to the Company' s long term performance. Genentech did not provide an annual grant to NEOs and other employees in 2008 and instead adopted a broad-based retention program to address employee concerns created by the Roche proposal. New hire grants have continued as usual throughout 2008.

Eligible Persons: All regular, full-time employees are eligible to receive stock options under the Genentech, Inc. 2004 Equity Incentive Plan (the "2004 Equity Incentive Plan"), including our NEOs. We currently grant only non-qualified stock options to our NEOs and other employees. We do not have equity ownership guidelines for our NEOs.

Timing of Grants and Exercise Price: With the exception of 2008, as noted above, annual grants are awarded each September to NEOs and other designated employees at the regularly scheduled meeting of the Compensation Committee. The exercise price for these grants is equal to the closing fair market value of our Common Stock on the date the Compensation Committee approves the grant. New-hire grants are typically provided as part of a NEO' s offer package. The Compensation Committee approves new-hire stock option awards for NEOs as well as other executive officers, and has delegated the authority to the Chairman to approve all other new-hire stock option awards. For nonexecutive officers and other employees who receive grants as new hires, it is our process to grant stock options on or shortly after the first day of their employment, with the grant date based on the date of approval by the Chairman. Given that both annual and new-hire grants to NEOs are made using a fixed-date approach, the Compensation Committee does not consider the release or possession of material non-public information in determining grant dates. Annual and new-hire option grants typically vest over four years, with the first 25 percent vesting one year from the date of the grant, and the remaining shares vesting monthly over the following 36 months.

Option Pool: The annual option pool for Genentech is determined in July and approved by the Compensation Committee in September. The overall pool size is defined as the sum of all employee grant targets for our annual program and anticipated grant targets for new hires the following year. Grant targets are a dollar value expressed as a percentage of base salary based on market benchmarking with our Comparator Group, as well as broader biotechnology and pharmaceutical companies (the "Stock Option Pool Comparator Group"). All employees within a job level are assigned the grant value equal to a percent of salary, with conversion to options based on Black-Scholes assumptions.

Individual Grants: The Compensation Committee determines annual grants for NEOs by first reviewing proposed target grants based on the competitive benchmarking of the fair value of annual long-term incentives awarded to NEOs of the Comparator Group over the past three years. The final award size is based on the Compensation Committee' s evaluation of a variety of factors such as the retention value of the options to be granted, the individual' s performance as measured by the success of the Company, the individual' s expected future contributions, and total cash and total direct compensation levels for our NEOs.

The following objectives guide the Compensation Committee with respect to stock options:

Competitiveness: The annual pool is determined by the sum of all employee grant targets, where targets are determined by job level based on competitive benchmarking with the Stock Option Pool Comparator Group. The target amounts for NEOs were established via a review of the total long-term incentives from the median to the 90th percentile, including stock option grants, full value shares and other long-term cash compensation made by our Comparator Group to their respective NEOs over the last three years.

Corporate Performance: The Compensation Committee does not directly analyze corporate performance to determine stock option awards. However, these awards are intended to motivate NEOs for future performance and align the interest of our NEOs with those of our stockholders.

Individual Performance: Since two primary purposes of stock options are retention and performance, the Compensation Committee considers the overall performance of each NEO in terms of their roles and responsibilities, their potential of future performance and the value to the Company in retaining them. This grant award is decided with the CEO for other NEO positions and by the Compensation Committee separately for the CEO.

Cost-effectiveness: As stock options are considered an expense under FAS 123R, the impact of the stock option expense on earnings is considered when determining the overall size of the option pool.

Equitable Compensation: The Compensation Committee reviews the equity pay of each of our NEOs at the same time and examined the pay relationship between the NEOs and other senior officers, taking into consideration job scope, individual performance and future potential.

Retention Value/Total Cash and Total Compensation Levels: Long-term incentives receive the heaviest weighting in the pay mix of our NEOs (more than 50% of their total compensation) as the Compensation Committee believes this is the best vehicle for driving long-term performance, aligning incentives with stockholder interests and providing a retention incentive for NEOs.

Retention and Severance Plans

On August 18, 2008, the Special Committee (the "Special Committee") of the Board of Directors of Genentech adopted a broad-based retention program to address employee concerns created by the proposal of Roche Holding Ltd. to acquire the shares of Genentech not owned by Roche. The Special Committee received input from the Company and an outside compensation advisor with respect to the program. The Company' s Board of Directors, including the Roche representatives, had previously granted the Special Committee authority to implement such a program. The retention program is composed of two retention plans and two severance plans that together cover substantially all employees of the Company, including Genentech' s NEOs. The Special Committee used a compensation consultant, Frederic W. Cook & Co., Inc ("Frederic W. Cook"), to assist in determining the appropriate retention and severance programs.

Retention Plan

Each of Genentech' s NEOs, as well as the Company' s other officers, is eligible to participate in the Genentech, Inc. Executive Retention Plan (the "Executive Retention Plan"). The retention plans for both employees and executives were implemented in lieu of the 2008 annual stock option program. The aggregate size of the retention plans for both employees and officers is approximately $375 million in cash (assuming all employees remain to receive their full payment). The cash amount is approximately equal to the value of the stock options which were expected to be granted in the Company' s 2008 option grant program, calculated using the methodology used in the Company' s financial statements to value options (Black-Scholes) and applying a discount rate. The discount rate reflects the earlier payment dates of the retention bonus, as described below, relative to the vesting schedule which would have applied to the planned option grants.

The retention bonus under the Executive Retention Plan is based on an NEO' s job level. If a merger of the Company with Roche or an affiliate of Roche has not occurred on or before June 30, 2009, then 100% of the retention bonus will be paid on June 30, 2009, subject to the NEO remaining employed by the Company on that date. If a merger of the Company with Roche or an affiliate of Roche has occurred on or before June 30, 2009, then the timing of the retention bonus payout will depend on whether vesting is accelerated for outstanding stock options in connection with the merger. If vesting is not accelerated with respect to 100% of the Company' s then outstanding unvested options in connection with the merger, then 100% of the retention bonus will be paid on the completion of the merger, subject to the employee remaining employed by the Company on the date the merger is completed. If vesting is accelerated with respect to 100% of the Company' s then outstanding unvested stock options in connection with the merger, then 50% of the retention bonus will be paid on the completion of the merger, and the remaining 50% will be paid on the first anniversary of the completion of the merger, subject to the employee remaining employed by the Company on those dates. Please see "Grants of Plan-Based Awards in 2008" for detailed information on retention bonus amounts for each NEO.

In addition, in the event of a merger of the Company with Roche or an affiliate of Roche, an NEO who is terminated without "cause" or resigns with "good reason" (within three months of the initial existence of the condition or event that constitutes "good reason") will be entitled to receive any remaining unpaid retention bonus upon such termination. Please see the definitions of "cause" and "good reason" under the description of the Executive Severance Plan within Potential Payments Upon Termination or Change-In-Control. However, if such payment would be subject to Section 409A of the Internal Revenue Code, such payment will be delayed until the first payroll date that occurs after six months and one day following termination.

The following objectives guided the Special Committee with respect to the Executive Retention Plan amounts:

Competitiveness: The Special Committee reviewed the competitive nature of the retention plans with Frederic W. Cook, the consulting firm retained by the Special Committee. Frederic W. Cook provided data from our comparator companies and companies which have experienced similar corporate transaction situations so that the program was designed in a competitive fashion. The Special Committee also reviewed the target Black-Scholes value of stock option grants for all employee job levels, including NEO' s. This value provided the basis for the retention bonus amounts and is based on competitive benchmarking with our Stock Option Pool Comparator Group. Frederic W. Cook also participated in the Special Committee' s review of the proposed plan to validate its competitiveness with the market.

Corporate Performance/Individual Performance: Potential payouts under the retention plans are based on job category and job level rather than corporate or individual performance. However, employees on a Company performance improvement plan at the time of payout are not eligible to participate under the retention plans.

Cost-effectiveness: The Special Committee determined that the retention plans provided a cost-effective mechanism to retain employees in the absence of the stock option program. The design of the Executive Retention Plan incorporated a discount rate applied to the value that would otherwise be offered through the stock option program. The Special Committee also reviewed the net cost of the retention program in conjunction with the potential cost of the severance program, and the retention program' s affect on earnings.

Equitable Compensation: The Special Committee reviewed the total compensation for each of our NEOs, including presumed payouts under the Executive Retention Plan. This review included the pay relationship between the NEOs and other employee job levels, taking into consideration job scope. In line with Genentech' s philosophy of providing all employees the opportunity to participate in our compensation plans, the retention program is broad based and substantially all employees as of August 18, 2008 are eligible to participate.

Retention Value/Total Compensation: In determining the retentive value of the Executive Retention Plan, the Special Committee reviewed market data on retention plans for companies in similar corporate transaction situations, and were advised as to standard market practices by Frederic W. Cook. The Special Committee also reviewed the target Black-Scholes value of the stock options that were not granted under the Company' s 2008 stock option program, which was the basis for the retention bonus amount and is based on competitive benchmarking with our Stock Option Pool Comparator Group. The Special Committee also considered the amounts of the retention payments in line with the total compensation being delivered to the NEO' s through the period of the Executive Retention Plan. Based on the data reviewed, the Special Committee believed the value of the retention bonus was an appropriate amount to retain employees, including NEOs, until either the close of a merger with Roche or until June 30, 2009.

Severance Plan

The Genentech, Inc. Executive Severance Plan (the "Executive Severance Plan") entitles officers employed with the Company to receive specified payments and benefits if they are terminated without "cause" or resign for "good reason" (within three months of the initial existence of the condition or event that constitutes "good reason") within 18 months following a merger with Roche or an affiliate of Roche. Please see the definitions of "cause" and "good reason" under the description of the Executive Severance Plan within Potential Payments Upon Termination or Change-In-Control. Under the Executive Severance Plan, the CEO will be entitled to severance payment of three time' s base salary and the average of the prior three years' bonus. All other NEOs will be entitled to two times base salary and the average of the prior three years' bonus. In addition, participants in the Executive Severance Plan will be entitled to:

Accelerated vesting of all stock options granted by the Company and outstanding as of the severance date.

Continued medical group health and dental plan coverage. For Dr. Levinson, coverage will be for three years. For all other NEOs, coverage will be for two years.

Reimbursement for reasonable outplacement services not to exceed 180 days following the NEO' s severance date.

Reimbursement of legal fees and expenses incurred by the NEO in successfully enforcing rights under the Plan.

Please see the detailed description of the Executive Severance Plan within *Potential Payments Upon Termination or Change-In-Control* for additional information.

The following objectives guided the Special Committee with respect to the Executive Severance Plan amounts:

Competitiveness: The Special Committee reviewed the competitive nature of the Executive Severance Plan with Frederic W. Cook, the consulting firm retained by the Special Committee. Frederic W. Cook provided data from our comparator companies and companies which have experienced similar corporate transaction situations so that the program was designed in a competitive fashion. Frederic W. Cook also participated in the Special Committee' s review of the proposed plan to validate its competitiveness with the market.

Corporate Performance: Corporate performance was not a factor in the design of the Executive Severance Plan.

Individual Performance: Individual performance was not a factor in the design of the Executive Severance Plan.

Cost-effectiveness: The Special Committee reviewed the potential cost of the Executive Severance Plan in conjunction with the cost of the entire retention program.

Equitable Compensation: The Special Committee reviewed the total compensation of each of our NEOs, including presumed severance payouts under the Executive Severance Plan, and the pay relationship between the NEOs and other employee job levels, taking into consideration job scope. In line with Genentech' s philosophy of providing all employees the opportunity to participate in our compensation plans, the severance portion of the retention program is broad based and substantially all employees can participate.

Retention Value/Total Compensation: In determining the retentive value of the Executive Severance Plan, the Special Committee reviewed market data on the design and payout structure of Executive Severance Plans for companies in similar corporate transaction situations and were advised as to standard market practices by Frederic W. Cook. The Special Committee also reviewed the payouts from the Executive Severance Plan in line with the total compensation being delivered to the NEOs and whether or not the payouts would provide a sufficient value to retain the NEOs through the close of a potential merger. Based on the data reviewed, the Special Committee believed the potential value delivered by the Executive Severance Plan was an appropriate amount to retain employees, including NEOs, through the potential close of a merger with Roche.

Benefit Programs

We choose to offer our health, welfare, stock purchase and retirement programs in order to provide all employees with a level of health and financial security. However, we may offer different benefits to our employees outside the U.S., in accordance with local laws and practices. Our benefits are intended to differentiate Genentech as an employer of choice in attracting and retaining employees. Our benefit programs for NEOs include the following components: medical, dental, vision, the executive medical plan, the employee stock purchase plan, life and accidental death and dismemberment insurance, short-term disability, long-term disability, employee assistance program, counseling and resource services, flexible spending accounts, paid time off, pre-tax commuter benefits, discounted services (home, auto, legal and long-term care insurance), certain security services, the Genentech, Inc. Tax Reduction Plan (the "401(k)") and the Genentech, Inc. Supplemental Plan (the "Supplemental Plan"). Genentech sets its benefits at competitive levels after benchmarking our programs against comparator companies on an annual basis. Additionally, we use standard business practices to assure that benefits are provided in the most cost-effective manner.

The following objectives guided the Compensation Committee with respect to benefit programs:

Competitiveness: We regularly review the market competitiveness of our benefit programs, from both a prevalence and cost perspective. In the past the Board of Directors has reviewed proposed changes to our 401(k) plan in light of the related market competitive data.

Corporate Performance: Corporate performance is not a direct factor in the design and administration of our benefit programs; however, we do consider the impact of benefits expense on Company financial performance and carefully evaluate our programs to manage that expense.

Individual Performance is not a direct factor in the design and administration of our benefit programs.

Cost-effectiveness: We work with consultants to limit our program costs, and use competitive bidding for certain programs such as our employee medical plan. In some cases, we conduct focus groups to determine whether we are allocating our benefit dollars in an economical manner.

In general, Genentech provides the same benefit programs to all regular U.S. employees within the Company. Benefits outside the U.S. may vary in accordance with local law and practice. Benefit programs available to NEOs but not available to all regular, full-time U.S. employees include the Executive Medical Program, an annual comprehensive medical examination for our officers, staff scientists and certain other senior scientists; and home security services, which are provided for certain of our executive officers. Additionally, the Company maintains a Supplemental Plan, a nonqualified supplemental employee retirement plan that operates in parallel with the 401(k) Plan, and in which we credit each eligible participant with an amount equal to the additional contributions that he or she would have received under the 401(k) Plan, assuming that he or she had been allowed to participate in the 401(k) Plan without regard to certain Code limits on eligible compensation and contribution amounts. Under the Supplemental Plan, participants may receive up to 7% of their eligible compensation in excess of the Code' s annual compensation limit. The Supplemental Plan benefits those employees, including NEOs, whose cash compensation exceeds the Code limit on eligible compensation for 401(k) contributions.

We do not currently provide change of control or employment agreements for our NEOs, with the exception of the Executive Severance Plan.

CEO Compensation

The Compensation Committee uses the same methodology in determining the bonus and equity awards for all NEOs, including Dr. Levinson, based on market data, Company performance, and individual performance. The Compensation Committee recommended a corporate bonus award for Dr. Levinson in 2008. However, the Compensation Committee did not recommend an equity award because the Company' s 2008 stock option program was replaced with a with a broad-based retention program. The Executive Retention Plan bonus amount for Dr. Levinson was recommended by the Special Committee.

The Compensation Committee annually reviews the recommended target awards for each of our NEOs based on proxy data of our Comparator Group, which are regressed to reflect our revenue. The values of the corporate bonus and the retention bonus amount recommended for Dr. Levinson were two to four times the values of the corporate bonus and retention bonus amounts recommended for other NEOs. The difference in the corporate bonus is consistent with the Comparator Group. The difference in the retention bonus amount recommendations is consistent with the difference in equity award values of the Comparator Group, which was the basis for determining the retention bonus amounts. The Compensation Committee determined the final corporate bonus amount and the Special Committee determined the final retention bonus amount.

After reviewing the target for the corporate bonus, the Compensation Committee determined Dr. Levinson' s final award taking into account market data, Company performance, individual performance, Dr. Levinson' s contributions to the Company, the methodology used to determine the bonuses of the other NEOs and the relative size of the bonus award compared to the bonuses of the other NEOs. The Compensation Committee decided to increase Dr. Levinson' s 2008 bonus payout by 30 percent, given that he had not received a salary increase for the past 4 years, and has not received a bonus increase for the past 2 years. Dr. Levinson' s base pay will remain unchanged at the 3rd percentile of his peers, based on the Comparator Group. The resulting bonus payment brings Dr. Levinson to the 45th percentile of the Comparator Group in total compensation. The Special Committee determined the final retention bonus amount taking into account market data, the retentive value of the bonus, and the size of the retention bonus amount compared to the bonuses of the other NEOs. In determining the value of the retention bonus, the Special Committee reviewed market data on retention plans for companies in similar corporate transaction situations, as provided by Frederic W. Cook. The Special Committee also reviewed the target Black-Scholes value of a stock option grant to Dr. Levinson, which was the basis for the retention bonus amount and is based on competitive benchmarking with our Comparator Group. Based on the data reviewed, the Special Committee believed the value of the retention bonus was an appropriate amount to retain Dr. Levinson until either the close of a corporate transaction with Roche or until June 3, 2009.

COMPENSATION OF NAMED EXECUTIVE OFFICERS

The following information outlines the compensation paid to our Named Executive Officers, including salary, bonuses, stock options and other compensation for the fiscal year ended December 31, 2008:

SUMMARY COMPENSATION TABLE FOR 2008

Name and Principal Position	Year	Salary ($)(1)	Bonus (2)	Option Awards ($)(3)	Non-Equity Incentive Plan Compensation $(4)	All Other Compensation ($)(5)	Total ($)
Arthur D. Levinson,	2008	995,000	–	12,854,548	3,551,000	222,514(6)	17,579,181
Chief Executive Officer	2007	995,000	–	14,080,700	2,725,000	411,061(7)	18,211,761
	2006	995,000	–	12,960,490	2,725,000	443,535(8)	17,124,025
David A. Ebersman,	2008	586,333	–	3,079,913	1,000,000	105,443(9)	4,771,689
Executive Vice President and Chief Financial	2007	503,833	–	3,105,108	920,000	96,168(10)	4,625,109
Officer	2006	439,583	–	2,653,853	870,000	67,311(11)	4,030,747
Susan D. Desmond-Hellmann,	2008	725,666	–	5,812,772	1,325,000	94,398(12)	7,957,352
President, Product Development	2007	664,833	–	6,407,740	1,200,000	88,774(13)	8,361,347
	2006	625,000	–	5,980,631	1,100,000	114,511(14)	7,820,142
Richard H. Scheller,	2008	592,000	–	3,279,773	900,000	57,840(15)	4,829,613
Executive Vice President, Research and Chief	2007	537,000	–	3,730,206	820,000	52,349(16)	5,139,555
Scientific Officer	2006	475,833	–	3,613,032	780,000	123,914(17)	4,992,779
Stephen G. Juelsgaard,	2008	564,833	–	3,279,773	820,000	106,511(18)	4,771,117
Executive Vice President, Secretary and Chief	2007	514,625	–	3,730,206	780,000	64,070(19)	5,088,901
Compliance Officer	2006	455,833	–	3,613,032	750,000	77,475(20)	4,896,340

(1) Includes amounts earned but deferred at the election of the Named Executive Officer, such as salary deferrals under the Company' s 401(k) Plan established under Section 401(k) of the Code.

(2) The Company' s cash bonuses are paid under an incentive plan and therefore are reported in the column "Non-Equity Incentive Plan Compensation."

(3) Reference is made to Note 3 "Retention Plans and Employee Stock-Based Compensation" in our Form 10-K for the period ended December 31, 2008, filed with the SEC on February 20, 2009, which identifies assumptions made in the valuation of option awards in accordance with FAS 123R. The Company' s stock-based compensation expense recognized under FAS 123R reflects awards ultimately expected to vest and an estimated forfeiture rate of 5% in 2008. The vested option expense recognized in the "Option Awards" column above does not reflect such expected forfeitures.

(4) For a description of the non-equity incentive plans see discussion following "Grants of Plan Based Awards in 2008."

(5) Amounts include employer contributions credited under Genentech' s 401(k) Plan and Supplemental Plan (a non-qualified plan that operates in parallel with the 401(k) Plan) as well as interest earned under the Supplemental Plan. Under the 401(k) Plan, which is open to substantially all of our U.S. employees, we make matching contributions based on each participant' s voluntary salary deferrals, subject to plan and Code limits. In addition, we make a contribution for each eligible employee equal to 2% of his or her eligible compensation, subject to plan and Code limits. Under the Supplemental Plan, we generally will credit each eligible participant with an amount equal to the additional contributions that he or she would

have received under the 401(k) Plan, assuming that he or she had been allowed to participate in the 401(k) Plan without regard to certain Code limits on eligible compensation and contribution amounts.

(6) Includes $16,100 in Company contributions under the 401(k) Plan, $108,050 in Company contribution credits under the Supplemental Plan, $54,484 in earnings under the Supplemental Plan, and $43,880 in security services at Dr. Levinson’ s personal residence in 2008.

(7) Includes $15,750 in Company contributions under the 401(k) Plan, $244,650 in Company contribution credits under the Supplemental Plan, $53,286 in earnings under the Supplemental Plan, and $97,375 in security services at Dr. Levinson’ s personal residence in 2007.

(8) Includes $15,400 in Company contributions under the 401(k) Plan and $194,250 in Company contribution credits under the Supplemental Plan, $42,268 in earnings under the Supplemental Plan, and $191,617 in security services at Dr. Levinson’ s personal residence in 2006.

(9) Includes $16,100 in Company contributions under the 401(k) Plan and $89,343 in Company contribution credits under the Supplemental Plan. Mr. Ebersman’ s Supplemental Plan investment option had a negative rate of return in 2008.

(10) Includes $15,750 in Company contributions under the 401(k) Plan and $80,418 in Company contribution credits under the Supplemental Plan.

(11) Includes $15,400 in Company contributions under the 401(k) Plan, $47,571 in Company contribution credits under the Supplemental Plan and $4,340 in earnings under the Supplemental Plan.

(12) Includes $16,100 in Company contributions under the 401(k) Plan, $58,697 in Company contribution credits under the Supplemental Plan, $19,117 in earnings under the Supplemental Plan, and an additional amount for transportation credits.

(13) Includes $15,750 in Company contributions under the 401(k) Plan, $52,788 in Company contribution credits under the Supplemental Plan, and $20,236 in earnings under the Supplemental Plan.

(14) Includes $15,400 in Company contributions under the 401(k) Plan, $83,510 in Company contribution credits under the Supplemental Plan, and $15,601 in earnings under the Supplemental Plan.

(15) Includes $16,100 in Company contributions under the 401(k) Plan and $41,740 in Company contribution credits under the Supplemental Plan. Dr. Scheller’ s Supplemental Plan investment option had a negative rate of return in 2008.

(16) Includes $15,750 in Company contributions under the 401(k) Plan and $37,440 in Company contribution credits under the Supplemental Plan.

(17) Includes $15,400 in Company contributions under the 401(k) Plan, $54,938 in Company contribution credits under the Supplemental Plan, $5,259 in earnings under the Supplemental Plan, $30,000 in loan forgiveness, $881 in imputed interest in connection with the loan, and $17,436 gross-up for taxes in connection with the loan forgiveness and imputed interest.

(18) Includes $16,100 in Company contributions under the 401(k) Plan, $78,038 in Company contribution credits under the Supplemental Plan, and $12,373 in earnings under the Supplemental Plan.

(19) Includes $15,750 in Company contributions under the 401(k) Plan, $35,274 in Company contribution credits under the Supplemental Plan and $13,046 in earnings under the Supplemental Plan.

(20) Includes $15,400 in Company contributions under the 401(k) Plan, $51,928 in Company contribution credits under the Supplemental Plan and $10,147 in earnings under the Supplemental Plan.

GRANTS OF PLAN-BASED AWARDS IN 2008

The following information sets forth grants of plan-based awards made to the Named Executive Officers during the fiscal year ended December 31, 2008.

	Estimated Future Payouts Under Non-Equity Incentive Plan Awards[1]		
Name	Threshold ($)	Target ($)	Maximum ($)
Arthur D. Levinson, Chief Executive Officer	0	11,165,578[2]	14,200,925[7]
David A. Ebersman, Executive Vice President and Chief Financial Officer	0	3,361,854[3]	4,151,046[8]
Susan D. Desmond-Hellmann, President, Product Development	0	5,403,527[4]	6,423,935[9]
Richard H. Scheller, Executive Vice President, Research and Chief Scientific Officer	0	3,292,453[5]	3,994,893[10]
Stephen G. Juelsgaard, Executive Vice President, Secretary and Chief Compliance Officer	0	3,305,846[6]	4,025,028[11]

The amounts identified in the table above are derived from two non-equity incentive programs, the retention program and the corporate bonus program.

(1) This table provides information on the corporate bonuses granted for the 2008 fiscal year. The specific corporate bonus payouts are reported in “Summary Compensation Table for 2008”, above. Information for the 2009 corporate bonus program cannot be determined at this time.

(2) Includes $8,737,300 for the retention bonus under the Executive Retention Plan and $2,428,278 for the corporate bonus target payment under the Company’ s corporate bonus program.

(3) Includes $2,730,500 for the retention bonus under the Executive Retention Plan and $631,354 for the corporate bonus target payment under the Company’ s corporate bonus program.

(4) Includes $4,587,200 for the retention bonus under the Executive Retention Plan and $816,327 for the corporate bonus target payment under the Company’ s corporate bonus program.

(5) Includes $2,730,500 for the retention bonus under the Executive Retention Plan and $561,953 for the corporate bonus target payment under the Company’ s corporate bonus program.

(6) Includes $2,730,500 for the retention bonus under the Executive Retention Plan and $575,346 for the corporate bonus target payment under the Company’ s corporate bonus program.

(7) Includes $8,737,300 for the retention bonus under the Executive Retention Plan and $5,463,625 for the corporate bonus maximum payment under the Company’ s corporate bonus program.

(8) Includes $2,730,500 for the retention bonus under the Executive Retention Plan and $1,420,546 for the corporate bonus maximum payment under the Company’ s corporate bonus program.

(9) Includes $4,587,200 for the retention bonus under the Executive Retention Plan and $1,836,735 for the corporate bonus maximum payment under the Company’ s corporate bonus program.

(10) Includes $2,730,500 for the retention bonus under the Executive Retention Plan and $1,264,393 for the corporate bonus maximum payment under the Company’ s corporate bonus program.

(11) Includes $2,730,500 for the retention bonus under the Executive Retention Plan and $1,294,528 for the corporate bonus maximum payment under the Company' s corporate bonus program.

With respect to the corporate bonus program, for fiscal year 2008, the Compensation Committee set specific corporate targets and goals in the five categories as described in the tables included in the "Bonus" section of "Compensation Discussion and Analysis" above. With respect to the retention bonus program, for fiscal 2008, the Special Committee examined the Company' s compensation objectives as they related to each NEO' s total compensation as described in the "Retention Plan" section of "Compensation Discussion and Analysis", above.

The Executive Retention Plan was adopted as part of the Company' s broad-based program after the proposal by Roche Holding Ltd. to acquire the shares of the Company not owned by Roche. The Executive Retention Plan provides for retention bonuses payable to eligible employees, including the Company' s NEOs, upon a merger of the Company with Roche or an affiliate of Roche. However, if such a merger has not occurred on or before June 30, 2009, then 100% of the retention bonus will be paid on June 30, 2009, subject to the employee remaining employed by the Company on that date. If a merger of the Company with Roche or an affiliate of Roche has occurred on or before June 30, 2009, then the timing of the retention bonus payout will depend on whether vesting is accelerated for outstanding stock options in connection with the merger. If vesting is not accelerated with respect to 100% of the Company' s then outstanding unvested options in connection with the merger, then 100% of the retention bonus will be paid on the completion of the merger, subject to the employee remaining employed by the Company on the date the merger is completed. If vesting is accelerated with respect to 100% of the Company' s then outstanding unvested stock options in connection with the merger, then 50% of the retention bonus will be paid on the completion of the merger, and the remaining 50% will be paid on the first anniversary of the completion of the merger, subject to the employee remaining employed by the Company on those dates.

The cash amount is approximately equal to the value of the stock options which were expected to be granted in the Company' s 2008 option grant program, calculated using the methodology used in the Company' s financial statements to value options (Black-Scholes) and applying a discount rate. The discount rate reflects the earlier payment dates of the retention bonus, as described above, relative to the vesting schedule which would have applied to the planned option grants.

In addition, in the event of a merger of the Company with Roche or an affiliate of Roche, an NEO who is terminated without "cause" or resigns with "good reason" (within three months of the initial existence of the condition or event that constitutes "good reason") will be entitled to receive any remaining unpaid retention bonus upon such termination. Please see the definitions of "cause" and "good reason" under the description of the Executive Severance Plan within Potential Payments Upon Termination or Change-In-Control. However, if such payment would be subject to Section 409A of the Internal Revenue Code, such payment will be delayed until the first payroll date that occurs following six months and one day following termination.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following information outlines outstanding equity awards held by the Named Executive Officers as of December 31, 2008. All information in this 14D-9 relating to the number of shares and price per share of our Common Stock give effect to the November 1999, October 2000 and May 2004 two-for-one splits of our Common Stock.

	Option Awards				
Name	Option Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($/sh)	Option Expiration Date
Arthur D. Levinson,	07/16/1999	689,304(1)	0(1)	12.13	07/16/2009
Chief Executive Officer	09/20/2000	720,000(2)	0(2)	40.99	09/20/2010
	09/26/2001	720,000(2)	0(2)	20.90	09/26/2011
	09/12/2002	900,000(2)	0(2)	14.28	09/12/2012
	09/11/2003	640,000(2)	0(2)	42.05	09/11/2013
	09/23/2004	900,000(2)	0(2)	53.23	09/23/2014
	09/23/2005	572,812(2)	132,188(2)	85.83	09/23/2015
	09/20/2006	281,250(3)	218,750(3)	79.17	09/20/2016
	09/20/2007 *	125,000(3)	275,000(3)	79.55	09/20/2017
David A. Ebersman,	09/26/2001	106,400(2)	0(2)	20.90	09/26/2011
Executive Vice President and	09/12/2002	180,000(2)	0(2)	14.28	09/12/2012
Chief Financial Officer	09/11/2003	132,000(2)	0(2)	42.05	09/11/2013
	09/23/2004	150,000(2)	0(2)	53.23	09/23/2014
	09/23/2005	127,968(2)	29,532(2)	85.83	09/23/2015
	09/20/2006	75,937(3)	59,063(3)	79.17	09/20/2016
	09/20/2007 *	39,062(3)	85,938(3)	79.55	09/20/2017
Susan D. Desmond-Hellmann,	09/20/2000	362,808(2)	0(2)	40.99	09/20/2010
President, Product Development	09/26/2001	175,000(2)	0(2)	20.90	09/20/2011
	09/11/2003	360,000(2)	0(2)	42.05	09/11/2013
	09/23/2004	360,000(2)	0(2)	53.23	09/23/2014
	09/23/2005	243,750(2)	56,250(2)	85.83	09/23/2015
	09/20/2006	135,000(3)	105,000(3)	79.17	09/20/2016
	09/20/2007 *	65,625(3)	144,375(3)	79.55	09/20/2017
Richard H. Scheller,	09/23/2004	12,500(2)	0(2)	53.23	09/23/2014
Executive Vice President,	09/23/2005	134,062(2)	30,938(2)	85.83	09/23/2015
Research and Chief Scientific	09/20/2006	75,937(3)	59,063(3)	79.17	09/20/2016
Officer	09/20/2007 *	39,062(3)	85,938(3)	79.55	09/20/2017
Stephen G. Juelsgaard,	09/20/2000	113,320(2)	0(2)	40.99	09/20/2010
Executive Vice President,	09/26/2001	132,312(2)	0(2)	20.90	09/26/2011
Secretary and Chief Compliance	09/11/2003	200,000(2)	0(2)	42.05	09/11/2013
Officer	09/23/2004	200,000(2)	0(2)	53.23	09/23/2014
	09/23/2005	134,062(2)	30,938(2)	85.83	09/23/2015
	09/20/2006	75,937(3)	59,063(3)	79.17	09/20/2016

	09/20/2007 *	39,062(3)	85,938(3)	79.55	09/20/2017

* Genentech did not provide an annual grant to NEOs in 2008 and instead adopted a broad-based retention program.

(1) The options were granted pursuant to the Genentech, Inc. 1999 Stock Plan and vested monthly during the 36-month period from the grant date.

(2) The options were granted pursuant to the Genentech, Inc. 1999 Stock Plan and vest over four years, with the first 25% vesting one year from the grant date, and the remainder vesting on a monthly basis in equal increments during the 36-month period following the initial vesting date, assuming no change in employment with the Company.

(3) The options were granted pursuant to the Genentech, Inc. 2004 Equity Incentive Plan and vest over four years, with the first 25% vesting one year from the grant date, and the remainder vesting on a monthly basis in equal increments during the 36-month period following the initial vesting date, assuming no change in employment with the Company.

OPTION EXERCISES AND STOCK VESTED

The following information sets forth stock options exercised by the Named Executive Officers as of December 31, 2008.

	Option Awards	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)[1]**
Arthur D. Levinson, Chief Executive Officer	90,000	6,182,244
David A. Ebersman, Executive Vice President and Chief Financial Officer	0	0
Susan D. Desmond-Hellmann, President, Product Development	125,000	7,256,760
Richard H. Scheller, Executive Vice President, Research and Chief Scientific Officer	37,500	850,248
Stephen G. Juelsgaard, Executive Vice President, Secretary and Chief Compliance Officer	111,220	4,137,344

(1) Represents the excess of the fair market value of the shares exercised on the exercise date over the aggregate exercise price of such shares.

NON-QUALIFIED DEFERRED COMPENSATION FOR 2008

The following information outlines the non-qualified deferred compensation given to the Named Executive Officers as of December 31, 2008.

Name	Executive Contributions for Last FY ($)	Company Contributions for Last FY ($)(1)	Aggregate Earnings in Last FY ($)(2)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last FYE ($)(3)
Arthur D. Levinson, Chief Executive Officer	0	108,050	54,484	0	1,458,883
David A. Ebersman, Executive Vice President and Chief Financial Officer	0	89,343	(78,191)(4)	0	143,420
Susan D. Desmond-Hellmann, President, Product Development	0	58,697	19,117	0	512,353
Richard H. Scheller, Executive Vice President, Research and Chief Scientific Officer	0	41,740	(74,070)(4)	0	130,955
Stephen G. Juelsgaard, Executive Vice President, Secretary and Chief Compliance Officer	0	78,038	12,373	0	331,603

(1) Amounts consist of employer contributions credited under the Supplemental Plan in early 2009 for fiscal year 2008. Under the Supplemental Plan, we generally will credit each eligible participant with an amount equal to the additional employer contributions that he or she would have received under the 401(k) Plan, assuming that he or she had been allowed to participate in the 401(k) Plan without regard to certain Code limits on eligible compensation and contribution amounts. Company contributions to the Supplemental Plan for Named Executive Officers are also included in the Summary Compensation Table as "All Other Compensation".

(2) Each participant' s Supplemental Plan account earned interest at the current 10-year Treasury bill rate, the rate of return of the S&P 500 Index, or both, depending on the investment election made by the participant.

(3) Amounts do not include the contributions identified in "Company Contributions for Last FY" as such contributions were made in early 2009 (for fiscal year 2008).

(4) Mr. Ebersman' s and Dr. Scheller' s Supplemental Plan investment option had a negative rate of return in 2008.

Potential Payments Upon Termination or Change-In-Control

Severance Plan

The Executive Severance Plan was adopted as part of the Company' s broad-based program after the proposal by Roche Holding Ltd. to acquire the shares of the Company not owned by Roche. The Executive Severance Plan provides that eligible employees, including the Named Executive Officers, will be entitled to receive specified payments and benefits if they are terminated "without cause" or resign for "good reason" (within three months of the initial existence of the condition or event that constitutes "good reason") within 18 months following a merger with Roche or an affiliate of Roche.

Participants in the Executive Severance Plan will be entitled to the following from the Company or any successor to the Company:

A lump sum severance payment based on the executive' s base salary and the average of the prior three years bonus. For Dr. Levinson, the severance payment will be three times base salary and the average of the prior three years bonus. For all other NEOs, the severance payment will be two times base salary and the average of the prior three years bonus.

Accelerated vesting of all stock options granted by the Company and outstanding as of the severance date.

Continued medical group health and dental plan coverage. For Dr. Levinson, coverage will be for three years. For all other NEOs, coverage will be for two years.

Reimbursement for reasonable outplacement services not to exceed 180 days following the NEO' s severance date.

Reimbursement of legal fees and expenses incurred by the NEO in successfully enforcing rights under the Plan.

Had there been a merger and had any of the Company' s NEOs been terminated on the last business day of 2008, their severance payment would have been as follows:

Named Executive Officer	**Severance Payment(1)**	**Value of Accelerated Stock Options(2)**	**Health Coverage(3)**	**Outplacement Services(4)**	**Legal Fees(5)**	**Total**
Arthur D. Levinson, Chief Executive Officer	$10,435,000	$1,742,125	$ 78,956	$ 8,000	–	$11,993,831
David A. Ebersman, Executive Vice President and Chief Financial Officer	3,173,700	509,644	49,967	8,000	–	3,646,923
Susan D. Desmond-Hellmann, President, Product Development	3,851,900	877,800	36,353	8,000	–	4,621,653
Richard H. Scheller, Executive Vice President and Chief Scientific Officer	2,912,300	509,644	36,353	8,000	–	3,371,909
Stephen G. Juelsgaard, Executive Vice President, Secretary and Chief Compliance Officer	2,774,000	509,644	31,160	8,000	–	3,228,416

(1) For Dr. Levinson, the severance payment will be three times base salary and the average of the prior three years bonus. For all other NEOs, the severance payment will be two times base salary and the average of the prior three years bonus.

(2) The value is based on the closing stock price on the last business day of 2008.

(3) For Dr. Levinson, health coverage is calculated by multiplying the cost of continuing COBRA coverage by three years from the loss of coverage. For all other NEOs, health coverage is calculated by multiplying the cost of continuing COBRA coverage by two years from the loss of coverage.

(4) These amounts represent the maximum outplacement benefit.

(5) If either an NEO or the Company brings an action to enforce or effect its rights under the Executive Severance Plan, and the NEO in the particular action prevails on at least one material issue in the action, the Company will reimburse that NEO for his or her costs and expenses incurred in connection with the action, including the costs of mediation, arbitration, litigation, court fees, and reasonable attorneys' fees. It is not possible at this time to determine the amount of such legal fees, if any.

Payment of the severance benefits under the Executive Severance Plan is conditioned upon the NEO's execution of a permanent release of claims in favor of the Company. Benefits which are subject to Section 409A of the Internal Revenue Code will be delayed until the first payroll date that occurs following six months and one day following termination of employment.

In addition, the Executive Severance Plan provides that if a merger with Roche occurs, participants will be paid their earned and accrued bonus under the 2008 Bonus Plan on the normal payment date if the NEO remains employed with the Company through such date or the NEO is terminated without cause or resigns for good reason following the merger with Roche.

As used in the Executive Retention Plan and the Executive Severance Plan, “cause” means:

Willful and continued material failure to perform reasonable job duties and responsibilities;

Any act of personal dishonesty that is intended to result in substantial personal enrichment;

Conviction of, or plea of nolo contendere to, a felony that the Board of Directors of the Company reasonably believes has had or will have a detrimental effect on the Company’ s reputation or business;

Breach of any fiduciary duty owed to the Company that has a detrimental effect on the Company’ s reputation or business; or

Such person is found liable in any Securities and Exchange Commission or other civil or criminal securities law action, or enters into any cease and desist order with respect to such action.

As used in the Executive Retention Plan and the Executive Severance Plan, “good reason” means the occurrence of one or more of the following, without the person’ s consent:

A fifteen percent (15%) or more reduction in total annual cash compensation opportunity (base pay and target bonus opportunity) as compared to total annual cash compensation opportunity immediately prior to the Corporation Transaction;

Change in principal work location resulting in a new commute that is more than 50 miles greater than such person’ s commute immediately prior to the change; or

A material reduction in authority, duties and/or responsibilities as compared to such person’ s authority, duties and/or responsibilities immediately prior to the completion of the merger with Roche or an affiliate of Roche (for example, but not by way of limitation, this determination will include an analysis of whether such person maintains at least the same level, scope and type of duties and responsibilities with respect to the management, strategy operations and business of the combined entity resulting from such transaction, taking the Company, Roche and their respective parent corporations, subsidiaries and other affiliates, together as a whole).

ANNEX D

August 2008 Financial Plan (Superceded).

Set forth below is the August 2008 Financial Plan created in August 2008. **You should not rely on the information set forth below as it has been superceded by the 2008 Financial Plan updated in October 2008 presented on pages 14 and 15 of this Schedule 14D-9.** The August 2008 Financial Plan is being presented since it formed the basis for Goldman Sachs analysis presented to the Special Committee on August 12, 2008. Goldman Sachs used a second version of the August 2008 Financial Plan, which contained only minor, immaterial revisions to the August 2008 Financial Plan, as the basis for its analysis presented to the Special Committee on September 29, 2008 and on October 13, 2008.

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenues:																
Product Sales	$11,325	$12,645	$13,989	$14,923	$16,223	$17,533	$18,427	$19,441	$21,404	$24,194	$24,955	$25,185	$26,025	$28,356	$31,055	$33,244
Royalties	2,563	2,653	2,811	2,873	2,966	3,136	2,976	2,849	2,880	2,563	2,000	2,120	2,086	2,347	2,083	2,337
Contract & Other	351	410	638	767	838	879	850	893	953	1,100	1,160	1,233	1,312	1,377	1,458	1,544
Total Revenue	**$14,239**	**$15,708**	**$17,439**	**$18,562**	**$20,026**	**$21,549**	**$22,253**	**$23,183**	**$25,237**	**$27,857**	**$28,115**	**$28,539**	**$29,423**	**$32,080**	**$34,597**	**$37,125**
Cost and Expenses:																
Cost of Sales (1)	1,547	1,693	1,656	1,696	1,816	1,885	1,804	1,856	1,987	2,232	2,200	2,398	2,646	2,909	3,195	3,392
R&D (1)	2,848	3,142	3,488	3,712	4,005	4,310	4,451	4,521	4,795	5,154	5,385	5,708	5,885	6,303	6,727	7,179
MSG&A (1)	2,167	2,177	2,279	2,429	2,490	2,721	2,925	3,321	3,739	4,187	4,380	4,712	5,191	5,729	6,269	6,677
Profit Sharing	1,352	1,496	1,657	1,695	1,548	1,594	1,513	1,559	1,526	1,478	1,100	1,059	1,009	989	998	825
Total Cost & Exp. (1)	**$7,914**	**$8,508**	**$9,080**	**$9,532**	**$9,858**	**$10,510**	**$10,692**	**$11,257**	**$12,047**	**$13,050**	**$13,065**	**$13,877**	**$14,731**	**$15,930**	**$17,189**	**$18,073**
Operating Income (1)	**$6,326**	**$7,201**	**$8,359**	**$9,030**	**$10,168**	**$11,038**	**$11,560**	**$11,926**	**$13,190**	**$14,807**	**$15,050**	**$14,662**	**$14,692**	**$16,150**	**$17,407**	**$19,052**

(1) The August 2008 Financial Plan includes forecasts of both GAAP and non-GAAP financial measures. Each of the amounts set forth with respect to Cost of Sales, R&D, MSG&A, Total Costs and Expenses, Operating Income, Taxes, Post-Tax Operating Income, and Free Cash Flow in the August 2008 Financial Plan are non-GAAP financial

measures. The Company uses these non-GAAP forecasts to monitor and evaluate the Company' s operating results and trends on an on-going basis and to facilitate internal comparisons to historical results. The Company also uses non-GAAP forecasts internally for operating, budgeting and financial planning purposes. The Company believes that the non-GAAP forecasts are useful for stockholders because it provides them with the ability to compare projected future operating results to historical operating results, better identify trends in the Company' s business and better understand how management evaluates the business. These non-GAAP financial forecasts have limitations because they do not include all items of income and expense that affect the Company. The non-GAAP financial forecasts included in the August 2008 Financial Plan are not prepared in accordance with, and should not be considered in isolation of, or as an alternative to, measurements required by GAAP. Please see the slide entitled "Financial Footnotes" in the "Investment Community Meeting Financial Overview" section of the Investor Presentation filed as Exhibit (a)(6) to this Schedule 14D-9 for a discussion regarding the forecasts of non-GAAP financial measures.

The Schedule 14D-9 is revised and supplemented by adding the following schedules after Annex B:

Schedule A

DIRECTORS AND EXECUTIVE OFFICERS OF THE PURCHASER

Name	Current Principal Occupation or Employment and Five-Year Employment History	Citizenship
Herbert W. Boyer, Ph.D.	Dr. Boyer, a founder of Genentech who is currently retired, had been a director of Genentech since 1976 when he resigned from the Board in June 1999 in connection with the redemption of our Special Common Stock. He was reelected to the Board in September 1999. He served as a Vice President of Genentech from 1976 to 1991. Dr. Boyer, a Professor of Biochemistry at the University of California at San Francisco from 1976 to 1991, demonstrated the usefulness of recombinant DNA technology to produce medicines economically, which laid the groundwork for Genentech' s development. Dr. Boyer has received numerous awards for his research, including the BayBio Pantheon Lifetime Achievement Award in 2005, the National Medal of Science from President George Bush in 1990, the National Medal of Technology in 1989 and the Albert Lasker Basic Medical Research Award in 1980. He is an elected member of the National Academy of Sciences and a Fellow in the American Academy of Arts and Sciences. In 2001, Dr. Boyer was elected to the National Inventors Hall of Fame. In addition, Dr. Boyer serves as Vice-Chairman of the Board of Directors of Allergan, Inc.	U.S.
William M. Burns	Mr. Burns was elected a director of Genentech in April 2004. He was appointed Chief Executive Officer of the Pharmaceuticals Division of The Roche Group, an international healthcare company, in January 2005 and was elected to the Corporate Executive Committee of The Roche Group in 2000. From 2001 to December 2004, Mr. Burns served as Head of the Pharmaceuticals Division of The Roche Group. From 1998 to 2001, Mr. Burns served as Head of Europe and International Business of Roche Pharmaceuticals. From 1991 to 1998, Mr. Burns served as Global Head of Strategic Marketing and Business Development for Roche Pharmaceuticals. Mr. Burns is a member of the Board of Directors of Chugai Pharmaceutical Co., Ltd., a subsidiary of Roche. Pursuant to the affiliation agreement, Mr. Burns is a designee of Roche.	U.S.

Name	Current Principal Occupation or Employment and Five-Year Employment History	Citizenship
Erich Hunziker, Ph.D.	Dr. Hunziker was elected a Director of Genentech in April 2004. He joined The Roche Group as Chief Financial Officer in 2001 and was elected to the Corporate Executive Committee of The Roche Group at that time. In January 2005 he was appointed Deputy Head of the Executive Committee. Prior to joining The Roche Group, from 1998 until 2001, Dr. Hunziker was Chief Executive Officer of the Diethelm Group and Diethelm Keller Holding Ltd. Dr. Hunziker joined Corange Ltd. (holding company of Boehringer Mannheim Group) where he was appointed Chief Financial Officer in 1997. Dr. Hunziker is a member of the Boards of Directors of Holcim Ltd. and Chugai Pharmaceutical Co., Ltd., a subsidiary of Roche. Pursuant to the affiliation agreement, Dr. Hunziker is a designee of Roche.	U.S.
Jonathan K. C. Knowles, Ph.D.	Dr. Knowles was elected a director of Genentech in February 1998. He joined The Roche Group as Head of Global Research in September 1997 and became Head of Group Research in July 2007. In January 1998, he became a member of the Corporate Executive Committee of The Roche Group. Dr. Knowles also serves as a member of the Board of Directors of Chugai Pharmaceutical Co., Ltd., a subsidiary of Roche. Pursuant to the affiliation agreement, Dr. Knowles is a designee of Roche.	U.S.
Arthur D. Levinson, Ph.D.	Dr. Levinson was appointed Chairman of the Board of Directors of Genentech, Inc. in September 1999 and was elected its Chief Executive Officer and a director of the company in July 1995. Since joining the company in 1980, Dr. Levinson has been a Senior Scientist, Staff Scientist and Director of the company’ s Cell Genetics Department. Dr. Levinson was appointed Vice President of Research Technology in April 1989, Vice President of Research in May 1990, Senior Vice President of Research in December 1992, and Senior Vice President of Research and Development in March 1993. Dr. Levinson also serves as a member of the Board of Directors of Apple, Inc. and Google, Inc.	U.S.

Name	Current Principal Occupation or Employment and Five-Year Employment History	Citizenship
Debra L. Reed	Ms. Reed was elected a director of Genentech in August 2005. She is President and Chief Executive Officer of San Diego Gas & Electric (SDG&E) and Southern California Gas Co. (SoCalGas), Sempra Energy' s California regulated utilities. Previously Ms. Reed served as President and Chief Operating Officer of SDG&E and SoCalGas from 2004 until 2006; President and Chief Financial Officer of SDG&E and SoCalGas from 2002 until 2004; and President of SDG&E from 2000 to 2002. Ms. Reed has also served as President of Energy Distribution Services at SoCalGas, and has held other leadership positions at SoCalGas. Ms. Reed serves on the Boards of Directors of Halliburton Company, the American Gas Association, the Precourt Institute for Energy Efficiency at Stanford University, SDG&E and SoCalGas.	U.S.
Charles A. Sanders, M.D.	Dr. Sanders who is currently retired, was elected a director of Genentech in August 1999 and the lead director of the Board in February 2003. He served as Chief Executive Officer of Glaxo Inc. from 1989 to 1994, and was the Chairman of the Board of Glaxo Inc. from 1992 to 1995. He also has served on the Board of Director of Glaxo plc. Dr. Sanders is a member of the Boards of Directors of Vertex Pharmaceuticals, Cephalon, Inc., Biodel Inc. and Icagen, Inc.	U.S.
Robert E. Andreatta	Mr. Andreatta was appointed Controller of Genentech in June 2006, Chief Accounting Officer in April 2007, and Vice President, Controller and Chief Accounting Officer in November 2008. Previously at Genentech, he served as Assistant Controller and Senior Director, Corporate Finance from May 2005 to June 2006, Director of Corporate Accounting and Reporting from September 2004 to May 2005, and Director of Collaboration Finance from June 2003 to September 2004. Prior to joining Genentech, he held various officer positions at HopeLink Corporation, a healthcare information technology company, from 2000 to 2003 and was a member of the Board of Directors of HopeLink from 2002 to 2003. Mr. Andreatta worked for KPMG from 1983 to 2000, including service as an audit partner from 1995 to 2000.	U.S.
Hal Barron, M.D., F.A.C.C.	Dr. Barron was named Senior Vice President, Development in January 2004 and Chief Medical Officer in March 2004. He previously served as Vice President of Medical Affairs from May 2002 to January 2004, and as Senior Director of Specialty BioTherapeutics from 2001 to 2002. Prior to that, he held positions as Associate Director and Director of Cardiovascular Research. Dr. Barron joined Genentech as a clinical scientist in 1996.	U.S.

Name	Current Principal Occupation or Employment and Five-Year Employment History	Citizenship
Ian T. Clark	Mr. Clark was appointed Executive Vice President, Commercial Operations of Genentech in December 2005. He previously served as Senior Vice President, Commercial Operations of Genentech from August 2005 to December 2005 and joined Genentech as Senior Vice President and General Manager, BioOncology and served in that role from January 2003 through August 2005. Prior to joining Genentech, he served as president for Novartis Canada from 2001 to 2003. Before assuming his post in Canada, he served as chief operating officer for Novartis United Kingdom from 1999 to 2001. Mr. Clark also serves as a member of the Board of Directors of Vernalis plc.	U.K.
David A. Ebersman	Mr. Ebersman was appointed Executive Vice President of Genentech in January 2006 and Chief Financial Officer in March 2005. Previously, he served as Senior Vice President, Finance from January 2005 through March 2005 and Senior Vice President, Product Operations from May 2001 through January 2005. He joined Genentech in February 1994 as a Business Development Analyst and subsequently served as Manager, Business Development from February 1995 to February 1996, Director, Business Development from February 1996 to March 1998, Senior Director, Product Development from March 1998 to February 1999 and Vice President, Product Development from February 1999 to May 2001. Prior to joining Genentech, he held the position of Research Analyst at Oppenheimer & Company, Inc.	U.S.
Susan D. Desmond-Hellmann	Dr. Hellmann was appointed President, Product Development of Genentech in March 2004. She previously served as Executive Vice President, Development and Product Operations from September 1999 to March 2004, Chief Medical Officer from December 1996 to March 2004, and as Senior Vice President, Development from December 1997 to September 1999, among other positions, since joining Genentech in March 1995 as a Clinical Scientist. Prior to joining Genentech, she held the position of Associate Director at Bristol-Myers Squibb. Dr. Hellmann also serves as a member of the Board of Directors of Affymetrix, Inc.	U.S.
Stephen G. Juelsgaard, D.V.M., J.D.	Mr. Juelsgaard was appointed Chief Compliance Officer of Genentech in June 2005, Executive Vice President in September 2002, and Secretary in April 1997. He joined Genentech in July 1985 as Corporate Counsel and subsequently served as Senior Corporate Counsel from 1988 to 1990, Chief Corporate Counsel from 1990 to 1993, Vice President, Corporate Law from 1993 to 1994, Assistant Secretary from 1994 to 1997, Senior Vice President from 1998 to 2002, and General Counsel from 1994 to January 2007.	U.S.

Name	Current Principal Occupation or Employment and Five-Year Employment History	Citizenship
Richard H. Scheller, Ph.D.	Dr. Scheller was appointed Executive Vice President, Research of Genentech in September 2003 and Chief Scientific Officer in June 2008. Previously, he served as Senior Vice President, Research from March 2001 to September 2003. Prior to joining Genentech, he served as Professor of Molecular and Cellular Physiology and of Biological Sciences at Stanford University Medical Center from September 1982 to February 2001 and as an Investigator at the Howard Hughes Medical Institute from September 1990 to February 2001. He received his first academic appointment to Stanford University in 1982. He was appointed to the position of Professor of Molecular and Cellular Physiology in 1993 and as an Investigator in the Howard Hughes Medical Institute in 1994.	U.S.
Marc Tessier-Lavigne	Dr. Tessier-Lavigne was promoted to Executive Vice President, Research Drug Discovery in June 2008. He previously served as Senior Vice President from September 2003 to June 2008. Prior to joining Genentech, from 2001 to 2003, he served at Stanford University as the Susan B. Ford Professor in the School of Humanities and Sciences, professor of Biological Sciences, and professor of Neurology and Neurological Sciences. He was also an investigator with the Howard Hughes Medical Institute from 1994 to 2003.	U.S.
Patrick Y. Yang, Ph.D.	Dr. Yang was appointed Executive Vice President, Product Operations of Genentech in December 2005. Previously, he served as Senior Vice President, Product Operations from January 2005 through December 2005 and Vice President, South San Francisco Manufacturing and Engineering from December 2003 to January 2005. Prior to joining Genentech, he worked for General Electric from 1980 to 1992 in manufacturing and technology and for Merck & Co. Inc. from 1992 to 2003 in manufacturing. At Merck, he held several executive positions including Vice President, Supply Chain Management from 2001 to 2003 and Vice President, Asia/Pacific Manufacturing Operations from 1997 to 2000.	U.S.

No director or officer of the Company was convicted in a criminal proceeding during the past five years.

No director or officer of the Company was a party to any judicial or administrative proceeding during the past five years that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of federal or state securities laws.

Schedule B

SECURITY OWNERSHIP OF THE COMPANY' S EXECUTIVE OFFICERS AND DIRECTORS

Filing Person	Securities Ownership		
	Number	Percent	Securities Transactions for Past 60 Days
Arthur D. Levinson, Ph.D.	5,691,683	*	N/A
Susan D. Desmond-Hellmann, M.D., M.P.H.	1,766,322	*	N/A
Ian T. Clark	255,547	*	N/A
David A. Ebersman	854,778	*	N/A
Stephen G. Juelsgaard, D.V.M., J.D.	690,245	*	N/A
Richard H. Scheller, Ph.D.	296,979	*	N/A
Patrick Y. Yang, Ph.D.	332,616	*	N/A
Marc Tessier-Lavigne, Ph.D.	163,659	*	N/A
Hal Barron, M.D., F.A.C.C.	364,990	*	N/A
Robert E. Andreatta	90,360	*	N/A
Herbert W. Boyer, Ph.D.	128,300	*	N/A
William M. Burns	0	*	N/A
Erich Hunziker, Ph.D.	0	*	N/A
Jonathan K.C. Knowles	0	*	N/A

Debra L. Reed	68,500	*	N/A
Charles A. Sanders, M.D.	175,800	*	N/A
All directors and officers of the Company as a group	10,879,778	1.03 %	N/A

* Less than 1%

SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this Statement is true, complete and correct.

GENENTECH, INC.

By: /s/ Stephen G. Juelsgaard

Name: Stephen G. Juelsgaard
Title: Executive Vice President, Secretary and Chief Compliance Officer

Dated: March 12, 2009

Exhibit (a)(10)
March 12, 2009

Dear Fellow Stockholders:

We are pleased to report to you that Genentech has signed a merger agreement under which Roche will acquire the outstanding publicly held shares of Genentech for $95.00 per share in cash. After a complete review and analysis, together with its independent financial and legal advisors, the Special Committee determined that the merger agreement and the transactions it contemplates, including Roche’ s improved offer with a price of $95.00 and the merger itself, are fair to, and in the best interest of Genentech stockholders.

The Special Committee unanimously recommends that you accept Roche’ s offer and tender your shares into the $95 offer.

The Special Committee initiated discussions following Roche’ s increased $93 offer of March 6, based on the belief that a negotiated transaction at an appropriate price would best serve the interests of Genentech and its minority shareholders. We were pleased to reach an agreement at $95 cash per share. We reviewed many factors in reaching our conclusion, including those detailed in the enclosed amendment to the Schedule 14D-9, which the Company has filed with the Securities and Exchange Commission. We urge you to read the amendment to the Schedule 14D-9 carefully.

Genentech is a unique company that has a track record of creating exceptional value. We are pleased that we are able to assure that Genentech stockholders will receive fair value for their investment in the company through this offer from Roche.

We thank you for your support.

Sincerely,

The Special Committee of the Genentech Board of Directors

Charles A. Sanders, M.D.
Herbert W. Boyer, Ph.D.
Debra L. Reed

Exhibit (c)(1)

Presentation to Special Committee of Francis

Goldman, Sachs & Co.
12-Aug-2008

Table of Contents

I. Situational Summary

Summary of the James Proposal

- James has offered to acquire all publicly-held shares of Francis for $89.00 per share in cash
  - Total payment of $43.7 billion to equity holders other than James
  - Transaction expected to be financed through its own funds and debt financing
  - One day premium of 8.8% to Francis' closing price of $81.82 on 18-Jul-2008 and a one month premium of 19.0% to Francis' closing price of $74.76 on 20-Jun-2008
- Expected to deliver pre-tax cost synergies of $750 million to $850 million
  - Achieving substantial scale benefits, operational synergies and cost avoidance
- Publicly stated transaction rationale:
  - Enhanced ability to innovate
  - Greater operational efficiency
  - Stronger competitive position and scale in the U.S.
- Proposes that Francis operate as an independent research and early development center within James from its existing campus in South San Francisco
- Proposed transaction expected to be accretive to James' earnings per share in the first year after closing
- Proposed transaction not expected to impact James' sales and Core[1] EPS targets for 2008

[1] James defines Core EPS as excluding amortization and impairment of intangible assets.

Goldman Sachs

Selected Initial Market Reaction to James' Announcement

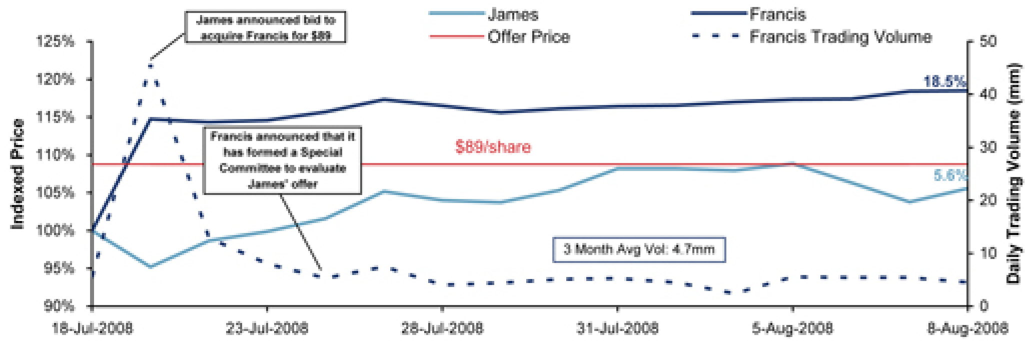
James' Message[1]	Market Commentary
■ Combination to enhance innovation by allowing for diversity of research approaches while also encouraging sharing of IP, technologies, partnerships and other key assets	■ "We applaud the proposed acquisition of Francis, which would: 1) allow U.S. cost reduction to offset the negative revenue trends that we have previously highlighted; 2) reduce R&D redundancy under the current James group structure; 3) enhance James' pipeline post-2015, after which James' current agreement with Francis is due to expire; and 4) increase gearing to Avastin adjuvant call options. Loss of Francis scientific talent would be a manageable risk, we believe." (Steven Harr, Morgan Stanley, 22-Jul-2008)
■ Francis' unique research culture to be maintained; South San Francisco site to operate as an independent research and early development center and become headquarters of combined U.S. commercial operations	■ "If we are reading the tea leaves correctly, the few clues that James has given about its plans indicate Basel is reaching even farther, aiming to remake its U.S. operations in Francis' image." (Stacy Lawrence and Aaron Bouchie, BioCentury, 28-Jul-2008)
■ Improved operational efficiency to result from reduced complexity, elimination of duplications and increased scale in the U.S.	■ "The proposed consolidation would weaken the fabric of the Francis culture that has taken decades to build and is the primary driver behind the most productive biotechnology organization in history." (Joel Sendek, Lazard, 21-Jul-2008)
■ Transaction to deliver annual pre-tax synergies of U.S.$750 - $850 million; Expected to be EPS accretive in the first year after closing	■ "While synergies look modest at $750mm+ and were not a driving force behind the proposed transaction according to James, we estimate the Swiss company could pay up to $110/share without risking earnings dilution." (Societe Generale, 22-Jul-2008)
■ Offer represents a one day premium to Francis shareholders of 8.8% and a one month premium of 19.0%	■ "It's an inadequate offer and they know it. Anything below $100 isn't going to happen." (Sven Borho, OrbiMed Advisors, 28-Jul-2008)

Source: Wall Street Research and Factiva
[1] From James press release dated 21-Jul-2008.

The Market Does Not Expect a Transaction at $89/Share

Market Tracker Since Announcement

	8-Aug-2008			Change Since				
				18-Jul-2008	1 Week	1 Month	3 Month	YTD
Francis	$96.95	$0.06	0.1 %	18.5 %	1.7 %	24.4 %	41.9 %	43.8 %
BTK	857.86	23.11	2.8	7.8	1.0	11.2	14.7	8.9
S&P 500	1,296.32	30.25	2.4	2.8	2.9	1.8	(7.3)	(10.4)
AMEX Pharmaceutical Index	317.76	6.03	1.9	3.7	4.9	4.0	5.9	(5.6)
James	CHF189.60	CHF3.20	1.7 %	5.6 %	(2.4)%	4.9 %	12.3 %	(1.3)%
Swiss Exchange	7,262.10	80.03	1.1	6.4	1.7	7.0	(4.3)	(12.7)
FTSE 350 Pharma & Biotech	8,204.40	102.40	1.3	8.3	6.9	5.5	14.2	3.3
James (ADR)	$87.50	$0.20	0.2	(0.7)	(4.4)	0.2	9.4	1.3
Currency Exchange Rate (CHF / $)	1.0823	0.0198	1.86 %	5.82 %	3.12 %	4.70 %	2.97 %	(3.32)%



Source: FactSet as of 08-Aug-2008

II. Overview of Francis

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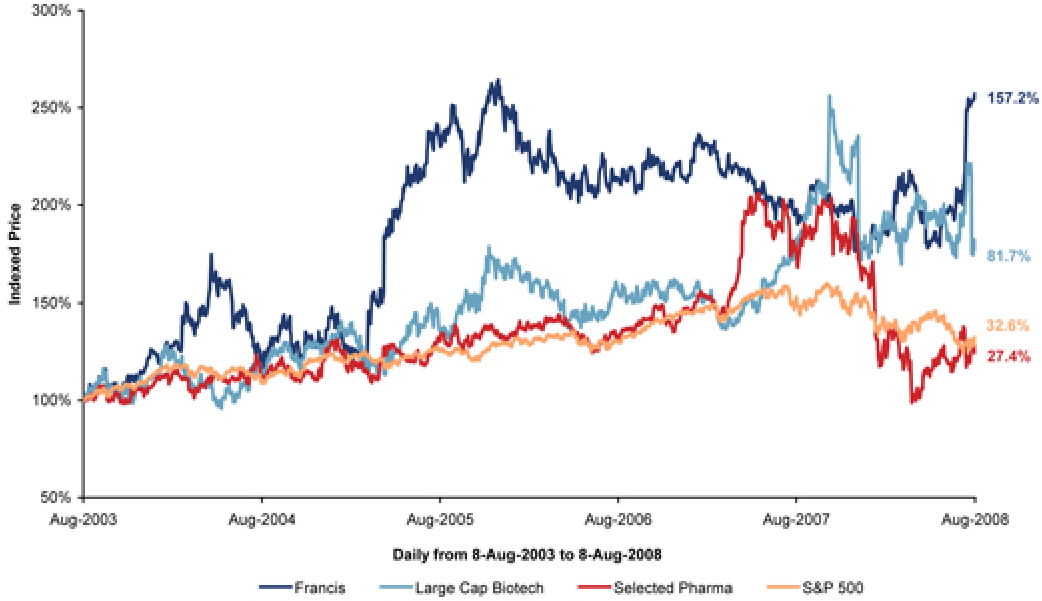
Stock Price Performance History

Francis

Last Five Years

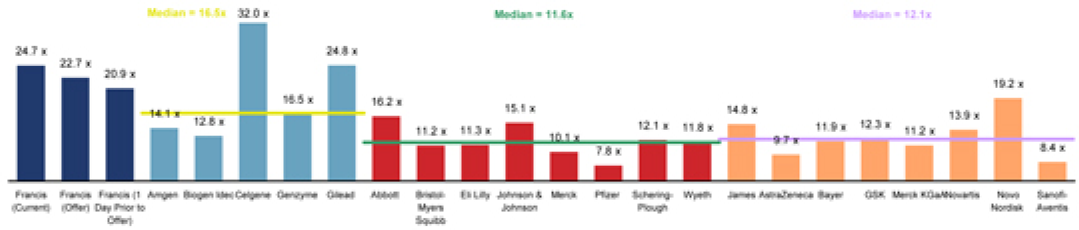


Source: FactSet as of 08-Aug-2008
Note: Large Cap Biotech includes Amgen, Biogen Idec, Celgene, Genzyme and Gilead. Selected Pharma includes Bristol-Myers Squibb, Merck KGaA, Novartis, Novo Nordisk, Schering-Plough

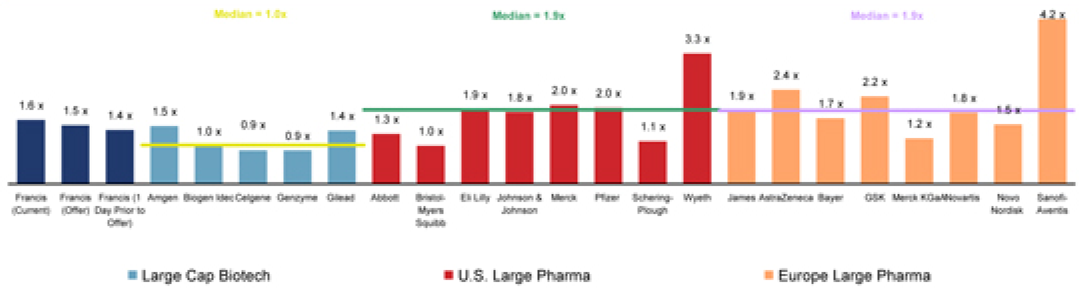
Comparison of Public Trading Multiples

Francis vs. Large Cap Biotech and Large Pharma

2009 P/E



2009 P/E/G



Source: IBES median estimates as of 08-Aug-2008

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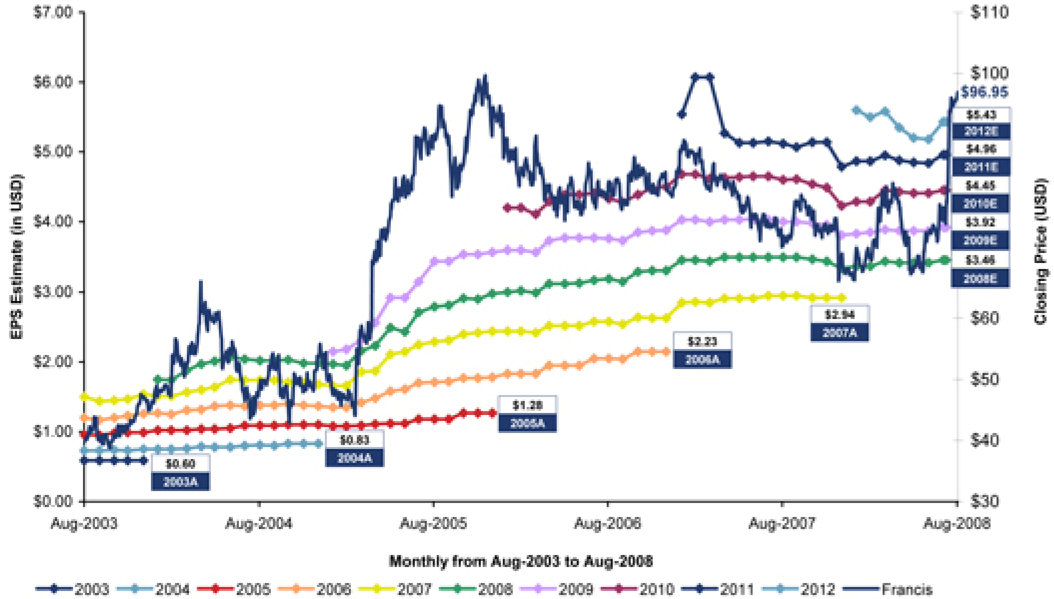
Evolution of Analyst Estimates

Francis

Last Five Years



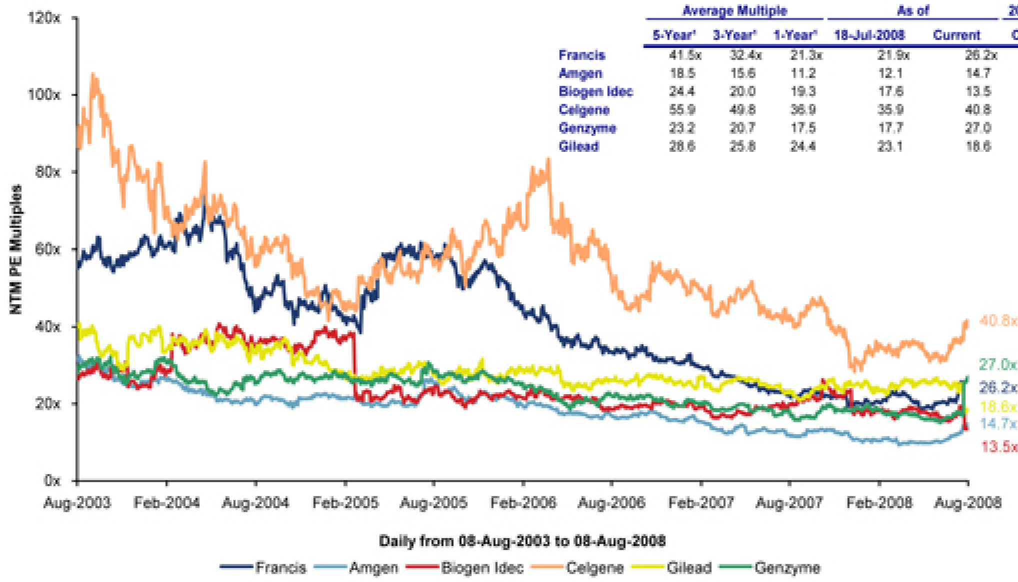
Source: FactSet and IBES median estimates as of 08-Aug-2008.
Note: IBES median estimates exclude stock based compensation expense

Next Twelve Months P/E Multiples

Francis vs. Selected Comparables

Last Five Years

	Average Multiple			As of		2009 P/E
	5-Year[1]	3-Year[1]	1-Year[1]	18-Jul-2008	Current	Current
Francis	41.5x	32.4x	21.3x	21.9x	26.2x	24.7x
Amgen	18.5	15.6	11.2	12.1	14.7	14.1
Biogen Idec	24.4	20.0	19.3	17.6	13.5	12.8
Celgene	55.9	49.8	36.9	35.9	40.8	32.0
Genzyme	23.2	20.7	17.5	17.7	27.0	16.5
Gilead	28.6	25.8	24.4	23.1	18.6	24.8



Source: FactSet as of 08-Aug-2008

[1] Average multiple excludes period after undisturbed date of 18-Jul-2008.

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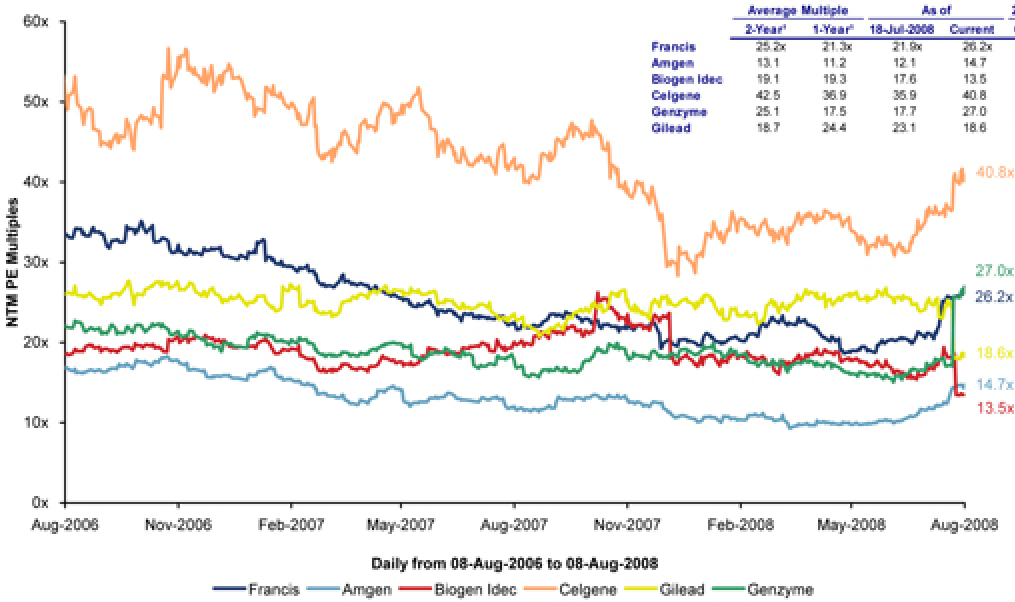
Next Twelve Months P/E Multiples

Francis vs. Selected Comparables

08-Aug-2006 to Present

	Average Multiple		As of		2009 P/E
	2-Year[1]	1-Year[1]	18-Jul-2008	Current	Current
Francis	25.2x	21.3x	21.9x	26.2x	24.7x
Amgen	13.1	11.2	12.1	14.7	14.1
Biogen Idec	19.1	19.3	17.6	13.5	12.8
Celgene	42.5	36.9	35.9	40.8	32.0
Genzyme	25.1	17.5	17.7	27.0	16.5
Gilead	18.7	24.4	23.1	18.6	24.8



Source: FactSet as of 08-Aug-2008

[1] *Average multiple excludes period after undisturbed date of 18-Jul-2008.*

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Development Pipeline of New Compounds

Francis

Only indication(s) in latest stage of development shown

- Excludes marketed products with additional indications in trials, such as the 16 Avastin indications in Phase II trials and 4 indications in Phase I trials.

Project / Product	Phase	Indication
2nd Generation Anti-CD20	III	Lupus nephritis, RA
Pertuzumab	III	First-line HER2-positive metastatic breast cancer
ABT-869	II	Multiple cancers
Anti-CD40	II	Diffuse large B-cell lymphoma
Apomab	II	NHL, NSCLC (non small cell lung cancer)
rhApo2L/TRAIL	II	NHL, NSCLC
Systemic Hedgehog Antagonist	II	Multiple cancers
Trastuzumab-DM1	II	Her2-positive metastatic breast cancer
3rd generation Anti-CD20	I	CLL, NHL
ABT-263	I	CLL, SCLC
Anti-Abeta	I	Alzheimer's disease
Anti-CD4	I	Rheumatoid Arthritis
Anti-CD40	I	Diffuse large B-cell lymphoma, MM, NHL
Anti-IL13	I	Asthma
Anti-oxLDL	I	Secondary prevention of cardiovascular events
huMAb OX40L	I	Asthma
IAP Antagonist	I	Cancer
MEK Inhibitor	I	Cancer
MetMAb	I	Cancer
PI3 Kinase Inhibitor	I	Cancer
rhuMAb Beta7	I	Inflammatory bowel disease
rhuMAb IFNalpha	I	Systemic lupus erythematosus
NME	I	Cancer
NME	I	Cancer

Source: Francis website updated as of August 2008
Note: Excludes products that are currently marketed and are in clinical trials for further indications

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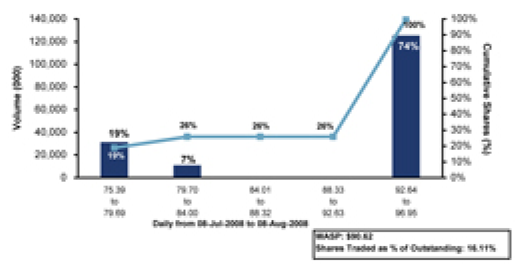
Shares Traded at Various Prices

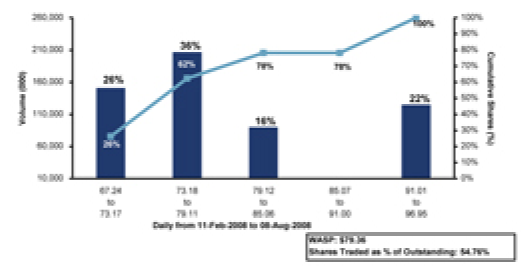
Francis

As of 08-Aug-2008

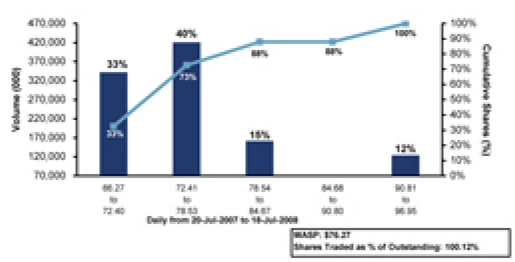
1 Month



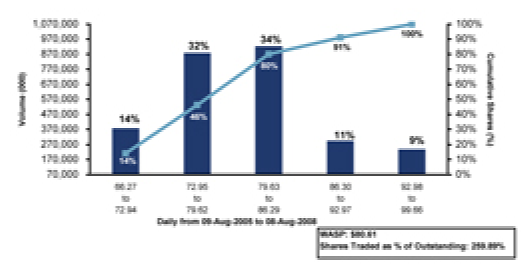
6 Months



1 Year



3 Years



Source: FactSet as of 08-Aug-2008

Goldman Sachs

Recent Shareholder Momentum Analysis

Top 25 Francis Shareholders

As of 07-Aug-2008

#	Institution Name	Position 18-Jul-2008	Position 05-Aug-2008	Change	% O/S	% Non-James Holdings	Avg Cost
1	Fidelity Mgmt. & Research	44,589,431	44,589,431	-	4.22%	9.52%	$60.02
2	Marsico Capital	28,248,512	28,248,512	-	2.68	6.03	41.00
3	Capital Guardian Trust	21,263,293	20,563,293	(700,000)	1.95	4.39	78.24
4	T. Rowe Price	17,784,494	17,784,494	-	1.68	3.8	74.79
5	Capital Research & Mgmt.	17,500,000	17,500,000	-	1.66	3.74	65.05
6	AllianceBerstein	16,030,000	16,030,000	-	1.52	3.42	68.21
7	Wellington Mgmt.	15,892,746	15,892,746	-	1.51	3.39	63.32
8	Barclays Global	15,306,210	15,306,210	-	1.45	3.27	54.51
9	Jennison Associates	10,821,503	10,821,503	-	1.03	2.31	66.39
10	ClearBridge Advisors	9,981,191	9,981,191	-	0.95	2.13	33.14
11	Vanguard Group	9,056,406	9,056,406	-	0.86	1.93	59.11
12	Delaware Inv. Advisors	9,147,746	8,647,746	(500,000)	0.82	1.85	78.18
13	TIAA-CREF Asset Mgmt.	7,342,446	7,342,446	-	0.70	1.57	65.24
14	Sands Capital Mgmt.	7,071,391	7,071,391	-	0.67	1.51	51.55
15	Janus Capital Mgmt.	6,755,964	6,755,964	-	0.64	1.44	44.95
16	State Street Global Advisors	6,431,203	6,431,203	-	0.61	1.37	45.43
17	TCW Asset Mgmt.	5,343,048	5,343,048	-	0.51	1.14	39.65
18	Goldman Sachs Asset Mgmt.	7,844,682	4,844,682	(3,000,000)	0.46	1.03	73.67
19	Victory Capital Mgmt.	5,350,299	4,350,299	(1,000,000)	0.41	0.93	74.77
20	CalPERS	4,116,863	4,116,863	-	0.39	0.88	48.53
21	Credit Suisse Asset Mgmt.	4,095,333	4,095,333	-	0.39	0.87	79.32
22	Walter Scott & Partners	3,951,407	3,951,407	-	0.37	0.84	69.62
23	GE Asset Management	3,788,047	3,788,047	-	0.36	0.81	76.17
24	Thornburg Investment Mgmt.	6,447,184	3,447,184	(3,000,000)	0.33	0.74	73.43
25	Bellevue Asset Mgmt.	3,192,536	3,192,536	-	0.30	0.68	81.66
	Total	287,351,935	279,151,935	(8,200,000)	26.47%	59.59%	

Source: Francis investor relations as of 07-Aug-2008

Francis Research Analyst Price Targets

Before and After James Proposal

Date Updated	Bank	Analyst	Price Target Before Announcement	Current Price Target	Deal Price Speculation
15-Jul-2008	Goldman Sachs	Ho	$88	N/A	N/A
15-Jul-2008	JP Morgan	Meacham	100	N/A	$100+
15-Jul-2008	Merrill Lynch	Berena	84	No Opinion	No Opinion
15-Jul-2008	Morgan Stanley	Harr	94	N/A	N/A
15-Jul-2008	Thomas Weisel Partners	Somaiya	81	N/A	N/A
21-Jul-2008	Baird	Raymond	87	95	95
21-Jul-2008	BMO Capital	Zhang	82	104	104
21-Jul-2008	Bank of America	Kim	95	100	100
21-Jul-2008	Credit Suisse	Aberman	82	98	98
21-Jul-2008	Jefferies	Walsh	78	95	95
21-Jul-2008	Lazard	Sendek	90	97	95-100
21-Jul-2008	Lehman	Birchenough	75	105	105
21-Jul-2008	Natixis	To	76	95	95
21-Jul-2008	Oppenheimer[1]	Holley	88	88	102-110
21-Jul-2008	Rodman & Renshaw	King	90	N/A	95-113
22-Jul-2008	Piper Jaffray	Wei	94	96	96
22-Jul-2008	RBC Capital	Kantor	84	95	95-100
08-Aug-2008	UBS	Shenouda / Amusa	92	105	115-135
11-Aug-2008	Bernstein Research	Porges	86	101	105-130
		High	$100	$105	$135
		Mean	87	98	103
		Median	87	97	100
		Low	75	88	95

Source: Latest available Wall Street research

[1] Oppenheimer has not updated its target price to reflect the offer by James to buy remaining the outstanding shares in Francis. Not included in summary statistics.

Research Price Targets and Key Themes

Francis Research Analysts' Views Prior To Announcement

Broker	Date	Price Target[1]	Key Themes
Jefferies & Co.	15-Jul-2008	$78.00	■ We continue to harbor concerns regarding long-term EPS growth potential for Francis, and a successful NSABP-C08 trial (Avastin for adjuvant CRC) outcome is key to changing our view. We believe this trial's outcome remains pivotal to accelerating EPS growth beyond our 5-year 13% CAGR estimate. The next interim analysis will occur in 4Q08 and then every 6 months thereafter. We are less optimistic than the Street that the recently approved Avastin metastatic breast cancer (mBC) indication can re-accelerate the Avastin franchise in a meaningful way, leading to sustained EPS outperformance.
Rodman & Renshaw	15-Jul-2008	$90.00	■ Francis has multiple value drivers in 2008. In our view, the most important driver is the uptake of Avastin use in the mBC and NSCLC settings. Based on today's results, we are maintaining our Q08 growth estimates for Avastin in mBC and raising our Q08 Rituxan numbers in RA and NHL by 1-2%. Additionally, we are marginally raising the growth of the legacy products, Lucentis and Xolair. Finally, we are raising Rituxan numbers FY08 and beyond. We see a sustained upside going into 2009 for Francis in mBC with the expected data release of the RIBBON-I trial during 2H08. Furthermore, in the lung cancer setting the SATURN and the BETA Lung trials may potentially further define Tarceva and Avastin's role in first line maintenance and second line setting in NSCLC respectively, consequently promoting market share gains for both products during 2H08 and beyond
Deutsche Bank	14-Jul-2008	$85.00	■ We believe investors would be willing to assign a premium PE to Francis shares ahead of the Phase 3 data on Avastin in the adjuvant colon cancer setting. If the trial is successful, we believe the upside could be significant (40%+). If negative, we see the downside risk as 10%-15%. We do not include any Avastin adjuvant sales in our forecasts. Our one year price target of $85 is derived by applying a 22x PE to our 2009 estimate (in line with the biotech group 20-22x current year P/E). Thus, our price target likely understates the true potential upside should the trial succeed.
Credit Suisse	14-Jul-2008	$82.00	■ Expectations had risen following strong IMS data, but Francis delivered with Avastin and Rituxan sales that were higher than consensus. Although EPS was slightly light, if one were to remove non-recurring items such as (1) a failed manufacturing run and (2) a tax bill from 2007, pro-forma EPS was actually ahead of The Street. Further, Francis was able to increase its full year guidance. Given the difficult economic environment investors are currently facing, we think these results can support further rotation into the large cap biotech space as a defensive position. That said, our prior survey work suggests that Avastin expectations may be high for the second half and we expect Rituxan sales growth to taper off in 2H08. As such, we are again reminded that Francis long term performance is highly dependent on the results of the adjuvant data, which we do not expect until 2009.

Source: Wall Street Research
[1] *Price target reflects estimates that are not based on transaction in context of James offer.*

Research Price Targets and Key Themes

Francis Research Analysts' Views Following Announcement

Broker	Date	Price Target[1]	Key Themes
Bernstein Research	11-Aug-2008	$101.00	■ Sum of the parts analysis estimating total value of $124 per share (when additional pipeline opportunities and label expansion programs are included) comprised of: — Approved products and indications (worth $55-$60/share) — The potential of Francis' late stage label expansion programs for currently approved products (worth $25-$30/share) — Phase II oncology pipeline – assumes 50% probability of success (worth $17/share) — Early stage R&D assets and capabilities (worth $5/share) — Option value of access to the companies future innovations beyond 2015 (currently outside James' rights) (estimated at $8 per share) — Value of the $750-850mm in cost saving synergies James has identified (worth $9/share)
UBS	08-Aug-2008	$105.00	■ Sum of the parts analysis estimating total value of up to $129 per share — Evaluates per share standalone value plus cost synergies ($84 per share plus $12 per share in synergies) — Considers additional long-term benefits from tax benefits ($14 per share); elimination of the opt-in ($9 per share) — Considers Avastin adjuvant value greater than $20 per share, assuming 50% probability
Piper Jaffray	22-Jul-2008	$96.00	■ Discounted cash flow analysis with cost synergies — Free cash flow estimates through 2012 — Terminal growth in free cash flow generation from the base business of 4%-5% per year — $850mm in cost synergies ($4/share) — 80% probability of significant erosion of Lucentis franchise (negative $2/share) — 65% probability of positive data for Avastin in adjuvant colon, lung and breast studies ($19/share) — 64% return on future R&D spending, consistent with 10 year historical return ($23/share)
Bank of America	21-Jul-2008	$100.00	■ Applies a 1.2 PEG multiple to the 5 year estimated CAGR of 20% and 2009 EPS estimate of 3.92, to which a buyout premium of $5/share is added.
Lazard	21-Jul-2008	$97.00	■ New target on historical trading range and average trailing PE ratio over past 2 years — Applies historic average multiple to LTM EPS of $3.08/share ■ Notes "no possibility for competing outside buyers to potentially drive the price higher"

Source: Wall Street Research
[1] *Price target reflects estimates based on transaction in context of James offer.*

Research Price Targets and Key Themes

Francis Research Analysts' Views Following Announcement

Broker	Date	Price Target[1]	Key Themes
Rodman & Renshaw	21-Jul-2008	$95.00 - $113.00	■ 2 step analysis to determine range of $95.00 - $113.00 sum of the parts analysis and deal comparison ■ Sum of the parts analysis: $95.00 ($91.00 without adjusting for current cash and debt) — Sales estimates for each marketed product through 2015 and subsequent growth rate of 3%-5% — Flat sales after patent expiration — 9.6% discount rate ■ Comparable Transaction Analysis: $113.00 — Applies historical average and median acquisition premiums from large cap biotech/pharma deals — Sensitivity analysis by assuming different acquisition premiums ranging from 20%-50%
Bernstein Research	21-Jul-2008	$101.00	■ Discounted cash flow valuation of $107.00 per share (including synergies) ■ Discounted cash flow valuation of $95.00 (stand-alone basis) and $107.00 with $750-850mm in synergies — Excludes most of the value of incremental opportunities from Avastin — Excludes upside of earlier phase III programs including Herceptin — Excludes upside from emerging phase II programs, including trastuzumab DM1, pretuzumab, Hedgehog antagonist, 2nd and 3rd generation versions of Rituxan, rhApo2L/Trail, Apomab and ABT-869 ■ Price target of $101.00 based on 80% probability of a deal with transaction value of $105.00 and 20% probability of no transaction occurring with stock price returning to $86.00

Source: Wall Street Research
[1] Price target reflects estimates based on transaction in context of James offer.

III. Overview of James

James

Overview

(All figures in CHF)

Business Description

- James operates worldwide in the fields of pharmaceuticals and diagnostics (its two major divisions)
  - Offers products and services for the early detection, prevention, diagnosis, and treatment of various diseases
  - Sells in-vitro diagnostics and drugs for cancer and transplantation, cardiovascular and dermatological diseases, and virology
  - Other products cover a range of therapeutic areas, such as autoimmune diseases, inflammatory and metabolic disorders, and diseases of the central nervous system
- Pharma division is focused on prescription drugs in the following areas: anemia, cardiovascular diseases, CNS, infectious diseases, inflammatory and autoimmune diseases, metabolic disorders, oncology, transplantation and virology
- Diagnostics division is active in all market segments, from scientific research and clinical laboratory systems to patient self-management, covering the early detection, targeted screening, evaluation and monitoring of disease
- Founded in 1896, 78,604 employees (5,000 in U.S.), headquartered in Basel, Switzerland

James Market Valuation

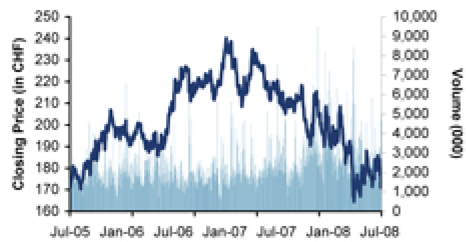
Share Price as of 08-Aug-2008 (CHF)	189.60
% of 52-Week High	*87%*
Equity Value (CHF)	163,542
Net Debt (CHF)	(2,556)
Enterprise Value (CHF)	**160,986**

In millions	2007A	FY 2008E	FY 2009E
Revenues (CHF)	48,376	46,058	50,059
EV / Revenues	*3.3x*	*3.5x*	*3.2x*
EBITDA (CHF)	17,068	17,254	18,915
EV / EBITDA	*9.4x*	*9.3x*	*8.5x*
EPS (CHF)	11.16	11.58	12.82
Price / EPS		*16.4x*	*14.8x*
EPS Long-Term Growth Rate	*7.8%*		
PEG		*2.1x*	*1.9x*
S&P / Moody's Credit Rating	AA- / Aa1		

Recent News

Date	Event
25-Jul	FDA release says experimental rheumatoid arthritis drug, Actemra, appears effective; drug blocks interleukin-6, a protein involved in inflammation
22-Jul	James entered into a definitive agreement to acquire Mirus Bio Corporation for $125 million (€78.5 million)
22-Jul	James entered into a definitive agreement to acquire ARIUS Research Inc. (TSX: ARI) for CAD 180.51 million
21-Jul	James offers to acquire 44.1% stake in Francis for approximately $43.7 billion
7-Jul	James announces Launch of the xCELLigence System to monitor G-protein coupled receptors (GPCR)
19-Feb	Closed acquisition of Ventana for $89.50/share follwing an the initial unsolicited offer of $75.00/share

Stock Price Performance[1]



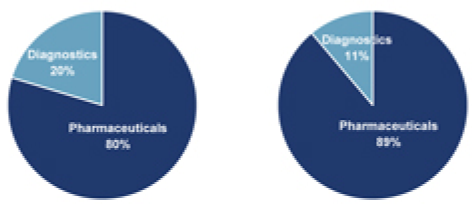
Source: Bloomberg, Capital IQ and Worldscope
[1] *ROG.VX ticker*

Financial and Pharmaceutical Product Overview

James

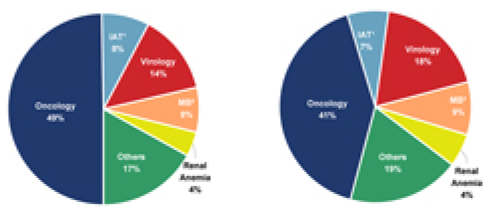
James Consolidated

Revenues by Business	Operating Profit by Business



Pharmaceutical Product Sales[3]

James Consolidated	James w/o Francis



Total: CHF 36,783 / $30,653 Total: CHF 27,102 / $22,585

Product Overview

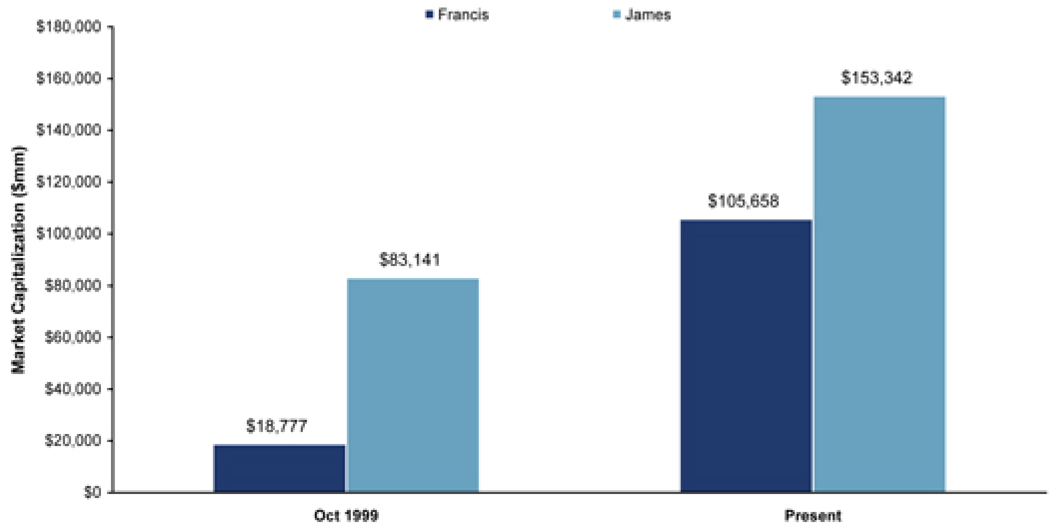
Product	Originator	Revenue (mCHF)
MabThera/Rituxan	Francis	5,516
Herceptin	Francis	4,852
Avastin	Francis	4,106
NeoRecormon/Epogin	James	2094
Tamiflu	James	2,085
CellCept	James	2,012
Pegasys	James	1,637
Xeloda	James	1,151
Tarceva	Francis	1062
Lucentis	Francis	991
Bonviva/Boniva	James	887
Xenical	James	632
Xolair	Francis	567
Valcyte/Cymevene	James	542
Pulmozyme	Francis	483
Nutropin	Francis	470
Kytril	James	425
Neutrogin	James	405
Rocephin	James	399
Activase/TNKase	Francis	382
Other	James	6,085
Total		36,783
Francis Originated as % of Total		50.1%

Source: James Annual Report 2007 and Francis public filings
[1] *Includes Inflammation, Autoimmune and Transplantation.*
[2] *Includes Metabolism and Bone.*
[3] *Currency conversion as of 31-Dec-2007, 1 USD = 1.2 CHF. Excludes royalty revenue attributed to pharmaceutical division.*

Francis is a Significant Portion of James Success

Relative Equity Market Capitalization in Oct 1999 and Today

($ in millions)



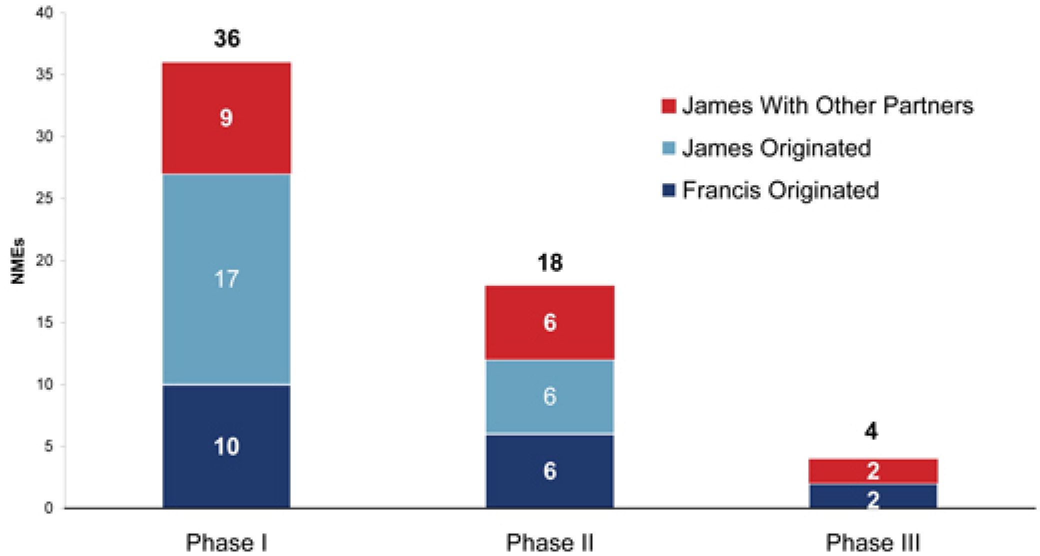
2000 P/E		2009 P/E	
Francis	James	Francis	James
67.5x	27.5x	24.7x	14.8x

Source: FactSet

Goldman Sachs

Francis Compounds Comprise a Large Portion of James Compounds in Development

NME's Only



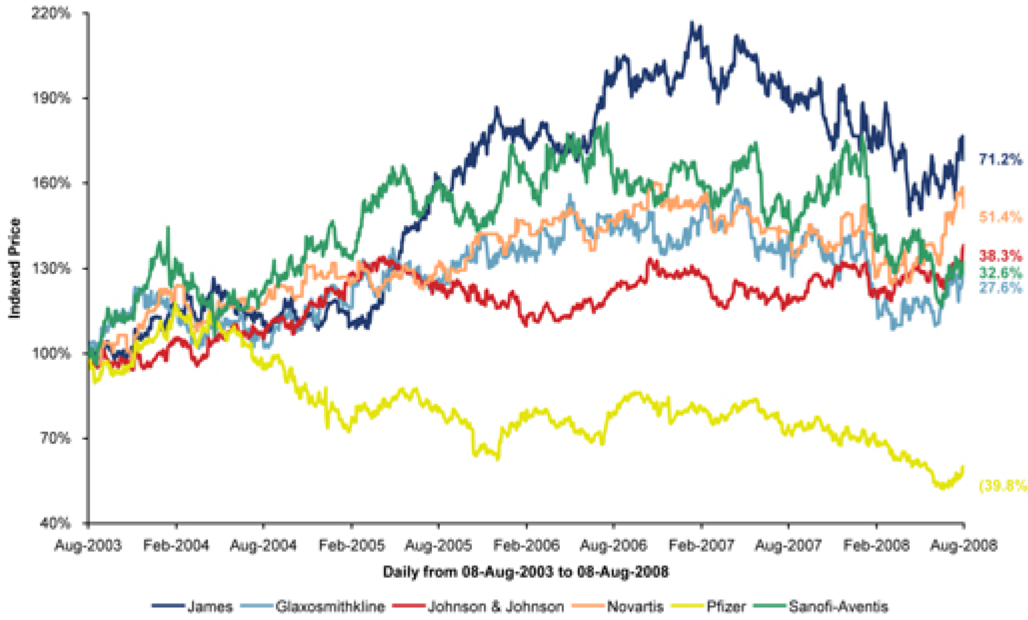
Source: Francis website. Includes opt-in opportunities as displayed on Francis website.

Goldman Sachs

Stock Price Performance History

James vs. Selected Comparables

Last Five Years



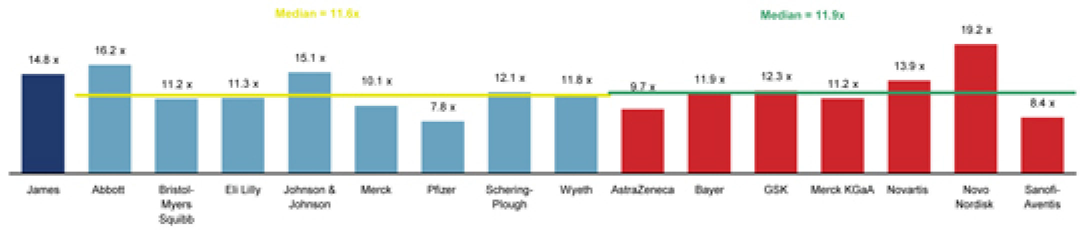
Source: FactSet as of 08-Aug-2008

Goldman Sachs

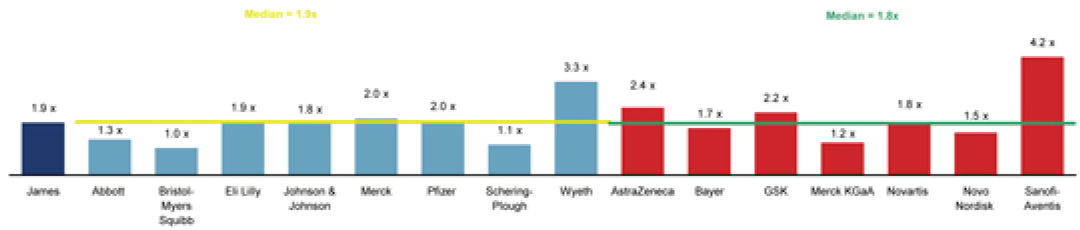
Comparison of Public Trading Multiples

James vs. U.S. Large Pharma and Europe Large Pharma

2009 P/E



2009 P/E/G



■ U.S. Large Pharma ■ Europe Large Pharma

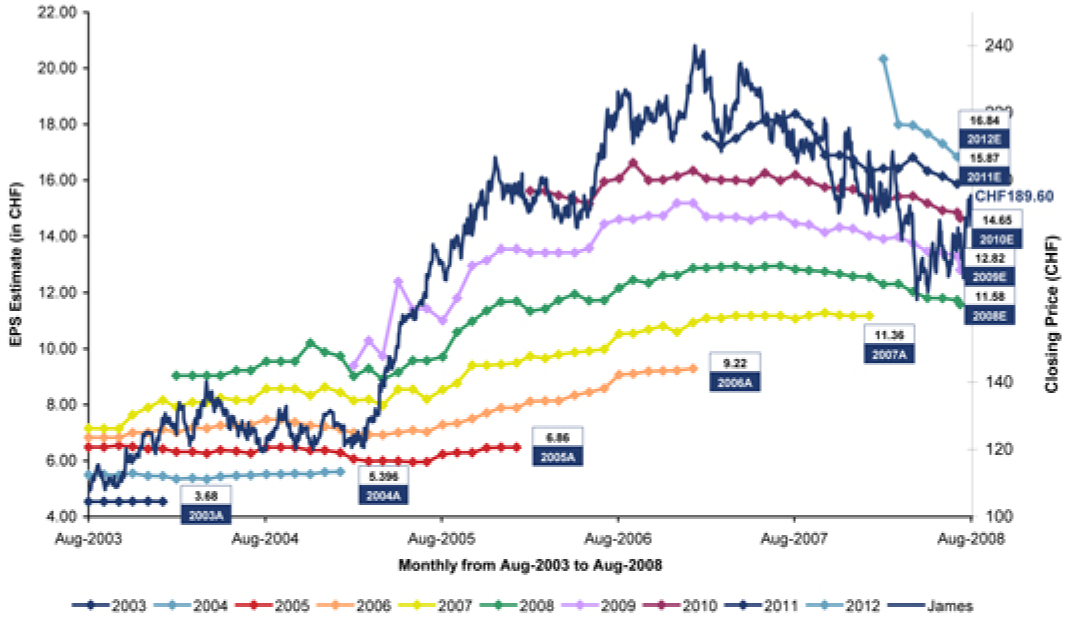
Source: IBES median estimates as of 08-Aug-2008

Goldman Sachs

Evolution of Analyst Estimates

James

Last Five Years



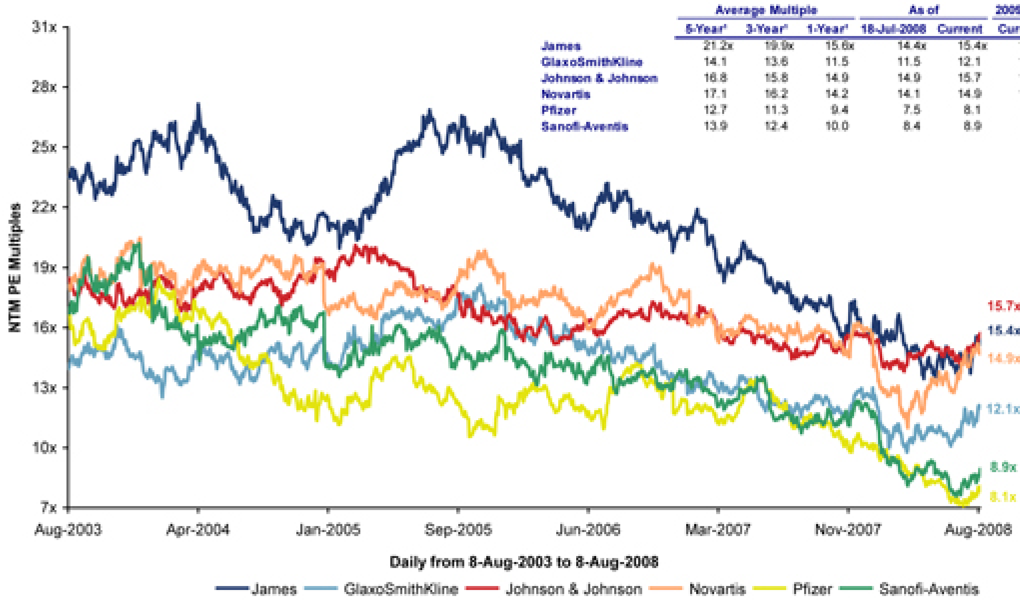
Source: FactSet and IBES median estimates as of 08-Aug-2008

Next Twelve Months P/E Multiples

James vs. Selected Comparables

Last Five Years

	Average Multiple			As of		2009 P/E
	5-Year[1]	3-Year[1]	1-Year[1]	18-Jul-2008	Current	Current
James	21.2x	19.9x	15.6x	14.4x	15.4x	14.8x
GlaxoSmithKline	14.1	13.6	11.5	11.5	12.1	12.3
Johnson & Johnson	16.8	15.8	14.9	14.9	15.7	15.1
Novartis	17.1	16.2	14.2	14.1	14.9	13.9
Pfizer	12.7	11.3	9.4	7.5	8.1	7.8
Sanofi-Aventis	13.9	12.4	10.0	8.4	8.9	8.4



Source: FactSet as of 08-Aug-2008

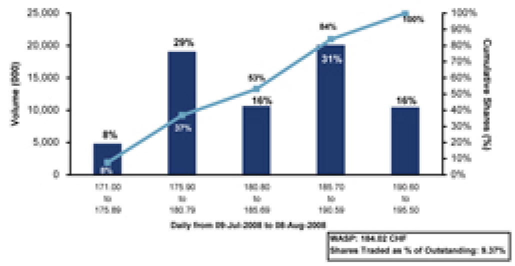
Goldman Sachs

Shares Traded at Various Prices

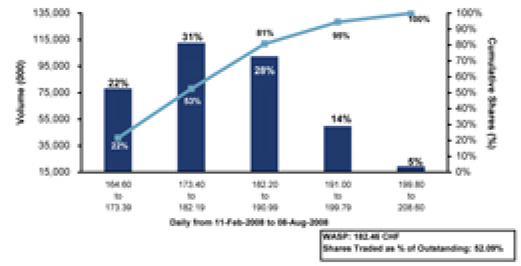
James

As of 08-Aug-2008

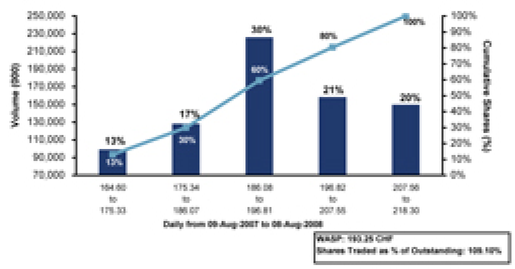
1 Month



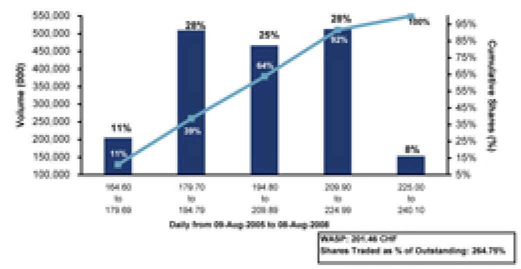
6 Months



1 Year



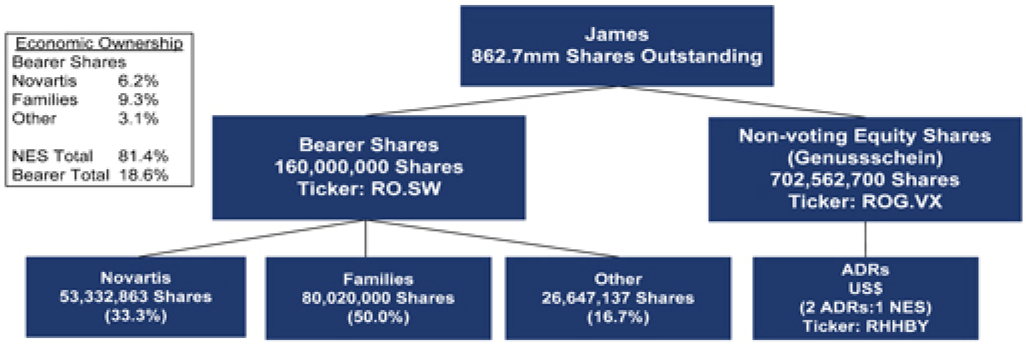
3 Years



Source: FactSet as of 08-Aug-2008

Goldman Sachs

Overview of James Ownership Structure



Comments

- James has two forms of shares
  - 160,000,000 Bearer shares with full voting rights
    - The families, through shares held within the "Other" category, own a majority of the bearer shares
  - 702,562,700 Non-voting Equity Securities not part of the share capital and confer no voting rights, but have the same rights to participate in available earnings and proceeds from liquidation as Bearer shares
- James' ADR (American Depositary Receipt) is traded in U.S. Dollars with two James ADRs representing one underlying non-voting equity security
  - The James ADR program was initiated in 1992, obtained securities manual listing by Standard & Poor's Standard Corporation Records in 2006 and was upgraded to OTCQX International PremierQX in 2007

Source: James public filings and website

James Trading Activity (NES Shares / Genussschein)

As of 08-Aug-2008

Ordinary Shares Tickers	Exchange	Day's Volume	Currency
ROG VX	SWX Europe	2,586,987	CHF
ROG XB	OTC Composite	69,872	CHF
ROCG IX	Chi-X Alt TS	39,852	CHF
RH05 GR	Germany	12,419	EUR
RH05 GY	Germany	10,827	EUR
RH05 GF	Germany	1,392	EUR
RH05 GB	Germany		EUR
RH05 GD	Germany		EUR
RH05 GH	Germany		EUR
RH05 GM	Germany		EUR
RH05 GS	Germany		EUR
RHHVF US	U.S.	115	USD
RHHVF UV	U.S.	115	USD
Bearer Shares			
RO.SW	SWX	7,001	CHF
ADR Tickers (2:1)			
RHHBY US	U.S.	273,127	USD
RHHBY UV	U.S.	273,127	USD
RHHBY PQ	U.S.	-	USD
RHHBYN MM	Mexico	-	MXN
RH06 GR	Germany	-	EUR
RH06 GF	Germany	-	EUR
RH06 GY	Germany	-	EUR

Note: Highlighted shares represent tickers with the greatest volume of shares traded.

James Ownership

Top 25 Institutional Investors – ROG.VX Shares

Rank	Investor Name	Position	% O/S	% O/S of Francis
1	Capital Research Global Investors	39,455,934	5.62	1.66
2	Capital World Investors	35,448,720	5.05	0.71
3	UBS Global Asset Management	10,081,923	1.44	-
4	Fidelity Management & Research	9,875,416	1.41	4.22
5	Fidelity International Limited	7,619,891	1.08	-
6	MFS Investment Management	6,317,050	0.90	-
7	Norges Bank	6,063,122	0.86	-
8	Wellington Management Company, LLP	5,618,392	0.80	1.51
9	Janus Capital Management LLC	5,606,545	0.80	0.64
10	Thornburg Investment Management, Inc.	4,557,902	0.65	0.33
11	PRIMECAP Management Company	4,286,500	0.61	0.14
12	Credit Suisse Asset Management	4,143,527	0.59	0.39
13	OppenheimerFunds, Inc.	4,103,719	0.58	-
14	Allianz Global Investors	3,681,678	0.52	-
15	Barclays Global Investors, N.A.	3,340,461	0.48	1.45
16	Schroder Investment Management Ltd.	3,260,764	0.46	-
17	Vanguard Group, Inc.	2,988,639	0.43	0.86
18	Pictet Asset Management Ltd.	2,937,432	0.42	-
19	Pioneer Investment Management Ltd.	2,900,784	0.41	-
20	Artisan Partners Limited Partnership	2,709,550	0.39	-
21	T. Rowe Price Associates, Inc.	2,566,268	0.37	1.68
22	Swisscanto Asset Management AG	2,357,348	0.34	-
23	AllianceBernstein L.P.	2,251,869	0.32	1.52
24	William Blair & Company, L.L.C.	2,108,543	0.30	0.17
25	Northern Cross Investments Limited	2,080,510	0.30	-
	Top 25 Shareholders	176,362,487	25.13	15.28

Source: Thomson Research as of 08-Aug-2008

James Research Analyst Price Targets

CHF 189.60 per share as of 08-Aug-2008

Date Updated	Bank	Analyst	Current Price Target	Speculated Deal Price
21-Jul-2008	Goldman Sachs	Murphy	CHF 220	NA
21-Jul-2008	Lehman Brothers	Walton	218	<= $105
21-Jul-2008	Natixis	Lanone	220	NA
21-Jul-2008	Societe Generale	Miemietz	208	<= 110
22-Jul-2008	Deutsche Bank	Leuchten	209	92 - 102
22-Jul-2008	HSBC	Scotcher	220	NA
22-Jul-2008	JPMorgan	Hauber	230	NA
22-Jul-2008	Merrill Lynch	Jain	210	<= 100
22-Jul-2008	Morgan Stanley	Baum	228	NA
22-Jul-2008	Vontobel	Weiss	N/A	NA
24-Jul-2008	Credit Suisse	Holford	212	NA
08-Aug-2008	UBS	Shenouda / Amusa	200	115 - 135

High	CHF 230	
Mean	216	
Median	218	
Low	200	

Source: Latest available Wall Street research

Goldman Sachs

Research Price Targets

James Research Analysts' Views Following the Announcement Of The Proposal

Broker	Date	Price Target	Key Themes and Valuation Methodology
UBS	08-Aug-2008	CHF 200.00	■ Estimates James could pay $115.00 to $135.00 based on value from cost synergies, tax benefits and elimination of the opt-in agreement with James — Assumes reduction in terminal tax benefit worth up to $14.28/share — Pre-tax synergies of $800mm ($12.17/share) — Estimates elimination the 2015+ opt-in agreement with James valued at $9.01/share — Avastin adjuvant at 50% POS valued at $10.00
Deutsche Bank	22-Jul-2008	CHF 209.00	■ Price target altered to a range of CHF 209 to CHF 225 based on DCF analysis at $89.00 — WACC of 8.6% driven by European risk-free rate of 4.55%, equity risk premium of 4.5% and asset beta of 0.9 and 2% terminal growth reflecting GDP growth — Results in range of new price target from CHF 209 to CHF 225 ■ DCF analysis shows offer price between $92.00 and $102.00 would be value neutral and accretive at $90.00
HSBC	22-Jul-2008	CHF 220.00	■ Price target reiterated to CHF 220.00 based on a mid-2009 PE and a DCF analysis — For DCF, assumes a 3.0% medium growth rate, a 1.0% terminal growth rate and 8.5% discount rate — Assumptions based on low exposure to generic risks and competitive strength of biologic pipeline — PE of 17.0x to a mid-2009 PE
JPMorgan	22-Jul-2008	CHF 230.00	■ Price target based on a 17.0x 2009E EPS
Merrill Lynch	22-Jul-2008	CHF 210.00	■ Pro forma merger model shows $89.00 offer price 4% accretive to 2009E EPS — 11% accretive to 2012 EPS — Offer up to $100.00 would be NPV positive assuming positive Avastin adjuvant data — CHF 850mm synergies achieved by 2011 (CHF 300mm in 2009, CHF 700m in 2010) — Assumes no change in James tax rate, despite possible upside of domiciling Francis profits in Switzerland — 4% cost of debt with $44 billion of acquisition debt
Morgan Stanley	22-Jul-2008	CHF 228.00	■ Pro forma merger model indicates 2008 – 2013 EPS CAGR of 12% at $89.00 — Assumed interest rate of 4% for $25bn new debt — Upside potential for group tax rate (unspecified) — Largely excludes adjuvant contribution from Avastin

Source: Wall Street Research as of 08-Aug-2008

Goldman Sachs

Analyst Commentary

James

Before Transaction Announcement

General

- **"Both Rituxan and Avastin franchises are equally important value drivers for James non-U.S. business.** In James forthcoming press release, we will be focusing on continued growth on James' monoclonal antibody franchise. Given Francis' robust product revenue growth and its strong royalty stream, we reiterate our Buy recommendation and PT of CHF 233 ahead of the publication of 1H08 results." (Vontobel, 16-Jul-2008)
- "We value James using DCF valuation (WACC 8.4% driven by a European risk-free rate of 4.3%, an equity risk premium of 4.5%, an asset beta of 0.9 and a 2% terminal growth reflecting real GDP growth). We believe this most appropriately captures the company's growth prospects as well as its differentiation from European pharma peers. **This yields our price target of CHF225. Downside risks include long-term threats to the Avastin, Rituxan and Herceptin franchises, the potential introduction of biologic follow-on compounds, pricing, development and political risks."** (Deutsche Bank, 9-Jul-2008)
- "After a deluge of new clinical data from the new drug pipeline, we believe only Avastin in its adjuvant colorectal setting is near enough or big enough to move the needle and enhance James's premium valuation vs. its peers." (HSBC, 17-Jun-2008)

After Transaction Announcement

Benefits to a Transaction

- **"We believe this will help secure James future beyond 2015** removing the need for renegotiation of opt-in rights for Francis pipeline, will help remove operational complexity and offers upside potential from Avastin adjuvant." (JPMorgan, 21-Jul-2008)
- **"We view this as a sensible proposed use of cash** (in particular at current FX rates) . . . and see major long-term EPS benefits from the deal. This deal proposal gives James the perfect opportunity to address its U.S. infrastructure (e.g.; no longer run duplicate U.S. businesses), including closing the Palo Alto site and restructuring the Nutley site, essentially leaving Francis to drive the R&D function." (GS, 21-Jul-2008)
- **"We applaud the proposed acquisition of Francis**, which would: 1) allow U.S. cost reduction to offset the negative revenue trends that we have previously highlighted; 2) reduce R&D redundancy under the current James group structure; 3) enhance James' pipeline post-2015, after which James current agreement with Francis is due to expire; and 4) increase gearing to Avastin adjuvant call options. Loss of Francis scientific talent would be a manageable risk, we believe." (Morgan Stanley, 22-Jul-2008)
- "Francis is, by general consensus, the **premier R&D organization** in the entire pharmaceutical industry. Beyond the phase II pipeline, we believe a very important part of Francis' value is in soft assets – the world leading scientists, the business processes and management judgment, the culture, the single site, the values and history. **James is also buying the option on the future potential of Francis R&D organization**." (Bernstein Research, 11-Aug-2008)

Source: Wall Street research as of 8-Aug-2008

Goldman Sachs

Analyst Commentary (cont'd)

James After Announcement

Key Concerns

- "While at face value, the Francis deal appears to offer value to James shareholders through enhanced synergies and an attractive acquisition price, we believe that **key concerns will be retaining senior talent at Francis and the final acquisition price payable**…James has often cited this one (potential loss of senior talent) as one of the reasons not to acquire the company." (Merrill Lynch, 21-Jul-2008)
- "If the acquisition occurs, James plans to operate Francis as an independent research and early development centre. **James has always allowed Francis to operate at arm's length and this has been a key part of Francis' success story in our view.** Though James purports to be doing exactly this in term of R&D going forward, it is possible that the new structure may not suit all key R&D employees of Francis. In the near term, James may be able to provide financial incentives to retain Francis personnel, but the long-term impact is unclear." (Goldman Sachs, 21-Jul-2008)
- "We expect the market to have a mixed reaction..as there are a number of uncertainties. **First retaining top talent at Francis will be crucial.** James has often cited this as one of the reasons not to acquire the company. Second is whether they can actually get Francis at this price ($89/share). The price is only a 19% premium to the 1-month average price, which Francis shareholders may view inadequately compensates for the multiple pipeline opportunities that exist (e.g., Avastin adjuvant CRC). However, our first pass estimate is that the deal would become NPV dilutive, on our existing pipeline assumptions (e.g., no Avastin adjuvant), at an acquisition price above ~$95/share." (Merrill Lynch, 21-Jul-2008)

Price Commentary

- "We anticipate that a $95.81 valuation for Francis, which incorporates only the value of $12.17ps in cost synergies could go up to $129.10 (roughly $135 in 6 months) if James is willing to value 1) Avastin adjuvant with some probability (James management already communicated the view of >50% probability of success for Avastin adjuvant), 2) potential long-term tax benefits, as well as 3) the value of the elimination of the opt-in beyond 2015. Because James would want to capture some of the value of synergies, we see a $115-$135 bid range (6 month prices) as reasonable. Another benefit from an acquisition is the elimination of the need to pay royalties and other costs to minority shareholders in Francis. We believe that the expiry of the current opt-in agreement could lead to higher royalties than the 15% James often pays currently. We believe the rate could go as high as 25% in less well-negotiated scenarios. Assuming that new opt-in products start to launch in 2023, we see the value on eliminating the opt-in royalties, assuming they would have persisted durably, would be worth $9.01. Note that we allocate all per share value to minorities since the minorities are the shares that James has to "convince" in order to access the $5.7bn in aggregate cost synergies value. **Because James is not currently able to rationalize Francis's cost base, despite its majority share control, we believe it appropriate that James pay for certain synergies, i.e. pay for a form of control.**" (UBS, 8-Aug-2008)
- "The true potential of the realizable synergies, should this transaction be successful, is impossible to second-guess at this point but it is safe to assume that the **true synergy potential is significantly above the suggested amount** no matter how much James stresses that the proposed transaction is not a cost-cutting story." (Deutsche, 22-Jul-2008)
- "We question whether Francis can be bought for $89 as the value of Avastin adjuvant alone could be worth $20 per share." (UBS, 21-Jul-2008)
- "The lengthy relationship and the absence of a white knight for Francis make the ultimate acquisition plausible, in our view. At $89 per share, we calculate that the transaction could be 8-10% EPS accretive by 2010." (Morgan Stanley, 22-Jul-2008)
- "On our estimates, **if we assume positive Avastin adjuvant data, Francis valuation could increase $11** to $100 per share. A valuation assuming 50% probability of success would therefore yield $95. Although this suggests Francis minority shareholders could demand a higher price than the initial $89 per share, the current share price more than factors this in." (Merrill Lynch, 22-Jul-2008)

Source: Wall Street research as of 8-Aug-2008

Analyst Commentary (cont'd)

James After Announcement

Price Commentary

- "Assuming all these indications (Avastin use in adjuvant setting colorectal, lung and breast cancer, Herceptin (HERA two year data)) would actually make their targets, the value of Francis could exceed $120. However, **if all projects were to fail, Francis' fair value would then fall below $60**." (Vontobel Research, 22-Jul-2008)
- "Our (conservative) Embedded Value approach pegs the standalone value of Francis BELOW the offer, at $57-73/share, depending on assumptions for Avastin in adjuvant colon cancer. **We expect James' offer is linked to Francis standalone value rather than the overall potential value creation from the deal.** Research and early development are of key concern to James, which it hopes to preserve by keeping Francis R&D at arm's length. Upstream functions seem less critical as James being the premier global pharmaceutical company should have no problem attracting and keeping top talent." (JPMorgan, 22-Jul-2008)
- "Our accretion analysis suggests that James could afford to pay up to $110/share without risking earnings dilution even under restrictive assumptions, and without factoring in possible long-term tax benefits. We would caution, however, that one-time charges including lock-up costs for key talent may adversely affect accretion in the first year after closing." (Societe Generale, 22-Jul-2008)
- "Assuming an $84ps standalone value for Francis, we believe that James can pay up to $106ps and break even based on value from cost synergies ($9ps), from tax benefits ($7ps), and from the elimination of the opt-in ($5ps)." (UBS, 22-Jul-2008)
- "Gearing is key driver of the value/earnings accretion of the proposed transaction. **As James could achieve similar gearing without buying Francis, we doubt James would pay away a large percentage of gearing benefits to Francis' minority shareholders**." (JPMorgan,22-Jul-2008)
- "Management indicated that reduction in complexity and elimination of duplicate functions will be the key sources of savings – we assume a U.S.$785 mn charge in 2009 relating to this and savings in 2009 and 2010 of U.S.$500 mn and U.S.$785 mn, respectively. However, we view this as merely the beginning of a **significant redesign of the U.S. cost base and believe that significant incremental synergies (i.e.; cost avoidance rather than headcount reduction) are possible in the longer term**. For now we assume savings of U.S.$980 mn in 2011 but no incremental synergies thereafter." (GS, 21-Jul-2008)
- "At $105, we would see essentially no dilution or accretion based on our funding assumptions for 2010." (Lehman Brothers, 21-Jul-08)
- "**Share price reaction overdone – unrealistically implies $135 bid**: We estimate that yesterday's 5% fall in James post the deal announcement is due to expectations of an increased offer. However, to generate the $9.4bn destruction of value seen in James' market cap yesterday would require a bid of $135 per share for Francis which we see as highly unlikely." (Merrill Lynch, 22-Jul-2008)
- "Though unlikely to have been a key determinant of the strategy, **current FX rates may have played a role in terms of the timing of this offer**: at current CHF/USD rates of 1.02, the U.S.$43.7 bn deal equates to CHF44.6 bn – a 2007 average rate of 1.20 would have resulted in a considerably more expensive value of CHF52.4 bn." (Goldman Sachs, 21-Jul-2008)
- "It may be that **with some important data coming up later in the year (adjuvant colorectal cancer 24-month interim review) this represented the best time to put forward this transaction** without the prospect of the length of time taken beginning to encompass new data that might make the various boards insiders for a protracted length of time. This could be the case if good Avastin data was not published until ASCO 2009." (Lehman, 21-Jul-2008)

Source: Wall Street research as of 8-Aug-2008

Goldman Sachs

Credit Analyst Commentary After $89 Per Share Offer

James

Standard & Poor's

- Long-term corporate credit rating lowered from AA+ to AA-
  - Outlook is stable and A-1+ short-term rating was affirmed
- Reflects significantly increased post-transaction leverage for James, which would likely result in the ratio of funds from operations (FFO) to net debt declining to mid double-digit levels from the group's historical net cash position
- Though the transaction is slightly positive from a business perspective because it increases control over Francis' assets and cash flows, the main rating impact arises from leverage and financial policy concerns
  - Rating assumes that James will concentrate on debt reduction in the next few years, as Francis' enhanced free cash flow capacity should enable a rapid de-leveraging
  - Management's willingness to de-lever rapidly will be a decisive factor for the ratings

Moody's

- Aa1 long-term issuer rating placed under review for possible downgrade
  - Prime-1 short-term issuer rating was affirmed
- Under the conditions indicated in Francis' announcement, the impact on Francis' financial profile would be substantial with credit metrics (i.e., CFO/Debt, FCF/Debt and Cash/Debt) on average weakening from the Aaa category to the Ba level immediately after the transaction
- Anticipates that the long-term rating would likely migrate to the A category but not lower than mid-A
- Moody's rating review will mainly focus on Francis' plans regarding the retention and remuneration of Francis' key employees, an assessment of the financing package to be put in place and the liquidity profile for the pro forma company post-transaction
  - The review will also consider Francis' de-leveraging plans

Source: S&P and Moody's Investors Service as of 21-Jul-2008

IV. Financial Analysis

Key Assumptions to Francis Management Projections

Near-term

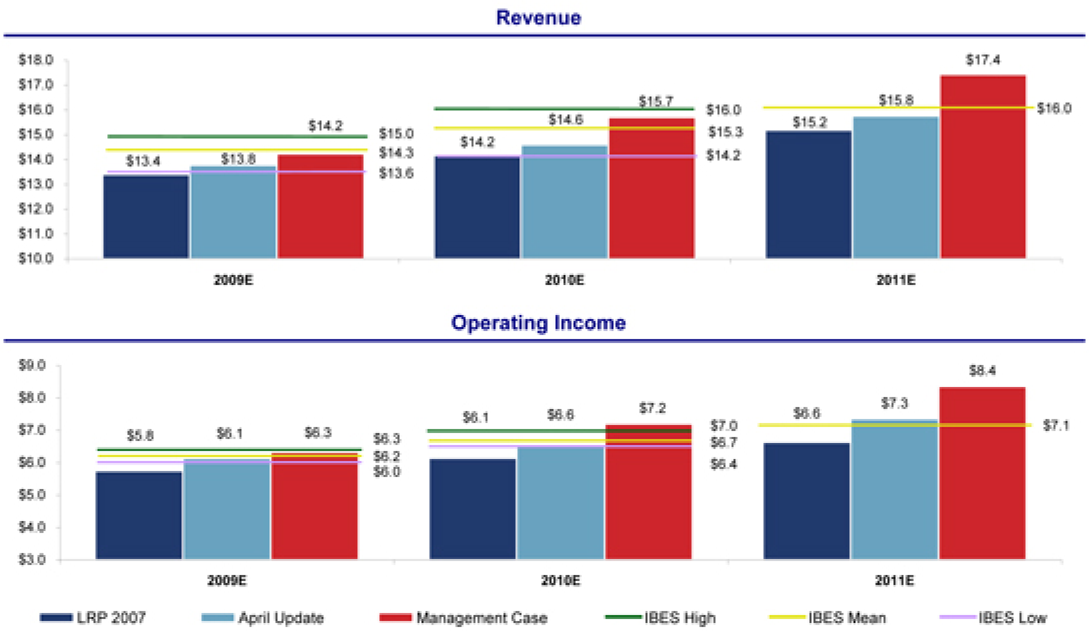
- Avastin adjuvant CRC trial (C-08)
  - — Base case 65% PTS in Q2 2009
  - — Upside case Q4 '08 interim look is positive with positive PTS adjustments to other adjuvant trials
  - — Downside case Q2 '09 trial end is negative with negative PTS adjustments to other adjuvant trials
- Price / reimbursement impacts
  - — Base case assume 3% annual price increases
- 2015 James commercial agreement expiration
  - — Assumes status quo type of terms
  - — Management expects more favorable market terms than current (modeled separately)
- Tax rate assumptions
  - — Base case assumes off-shore manufacturing tax benefits trend tax-rate to approximately 30%
- FOB Assumptions
  - — Assumptions assume number of entrants, physician acceptance and price discounts by product
- Unnamed product PTS and market opportunity
  - — Assumes large and small molecule NMEs
  - — Launch to Filing PTS of 23% and 11% respectively
  - — Market opportunity of $1bn per NME indication plus two line extensions
    - – Upside case of $2.3bn total market opportunity
    - – Downside case of $500mm total market opportunity

Long-term

Source: Francis management

Comparison of Management Projections to Wall Street Estimates

($ in billions)



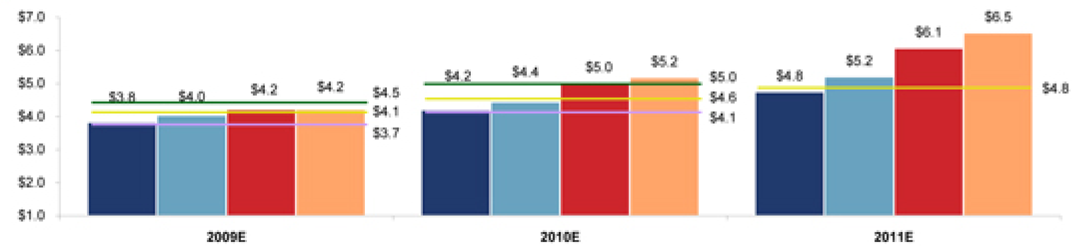
Source: Financial projections per Francis management and Wall Street estimates as of 05-Aug-2008
Note: 2011E IBES mean based on selected composite from Wall Street research

Goldman Sachs

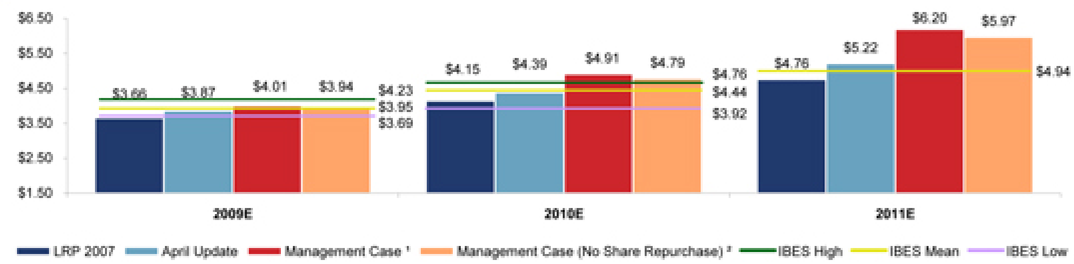
Comparison of Management Projections to Wall Street Estimates (cont'd)

($ in billions, except per share data)

Net Income



Cash EPS

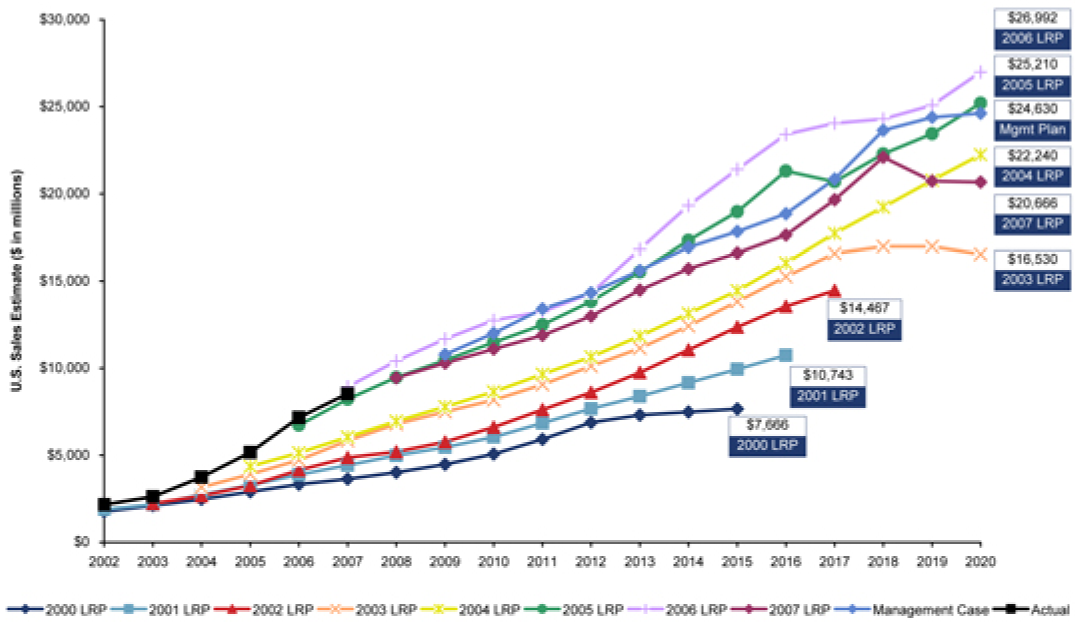


Source: Financial projections per Francis management and Wall Street estimates as of 05-Aug-2008. Cash EPS due to exclusion of stock based compensation
Note: 2011E IBES mean based on selected composite from Wall Street research
[1] *Includes after-tax interest income of $200mm ($0.19 per share), $304mm ($0.30 per share) and $369mm ($0.38 per share) in 2009E, 2010E and 2011E, respectively.*
[2] *Includes interest income of $0.19, $0.44 and $0.76 per share in 2009E, 2010E and 2011E, respectively.*

Goldman Sachs

Review of Francis Annual Long Range Plan Estimates

($ in millions)

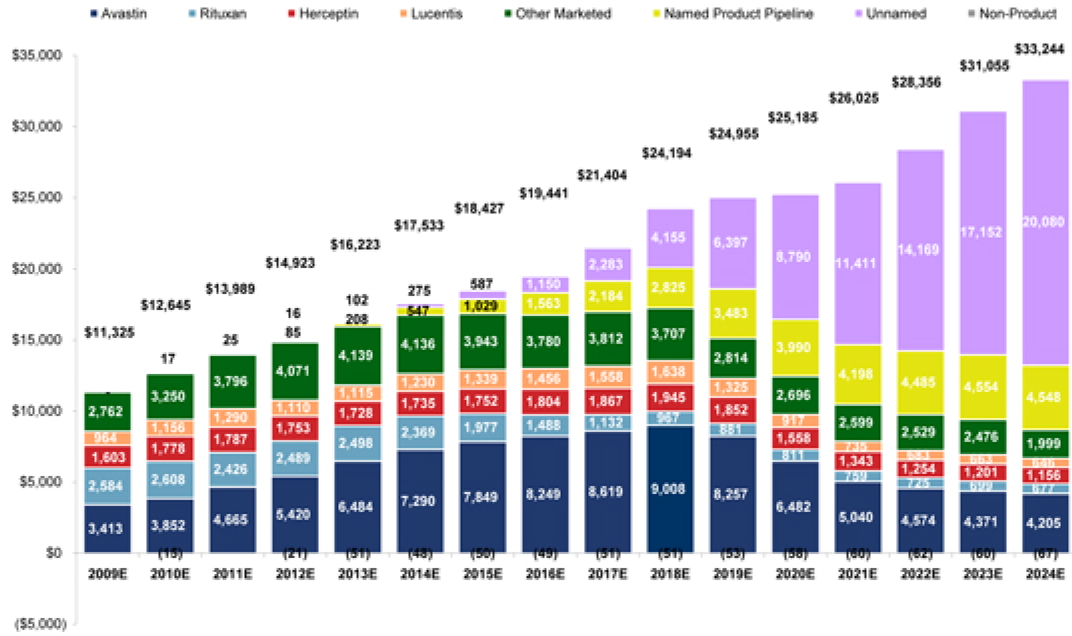


Source: Francis management

Goldman Sachs

Francis Forecasted Product Sales Breakdown

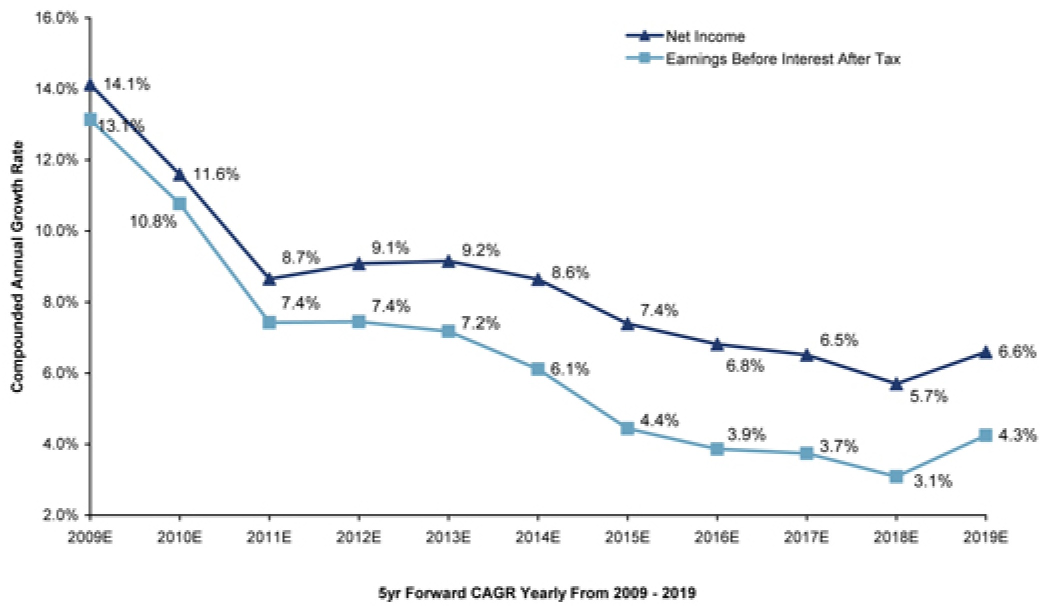
($ in millions)



Source: Francis management projections

Goldman Sachs

Growth Trends in Management Projections
Francis



Source: Francis Management Projections

Discounted Cash Flow Analysis of Francis

Key Assumptions

- Projections from 2009 to 2024 provided by Francis Management as of 01-Aug-2008
  - Projections by product were provided for Avastin, Rituxan, Herceptin, Lucentis as well as for the pipeline
- Assumes 1,056mm basic shares outstanding, as of 07-Aug-2008
  - Current options outstanding included in share count by the treasury stock method
  - Options schedule provided by Francis management as of 07-Aug-2008
- Financial Sensitivity Analysis:
  - Discount rates evaluated using a range of 8.0% - 10.0% based on WACC analysis
  - Terminal value evaluated using perpetuity growth rate method using a range of 2.0% - 4.0%
    - Implied P/E terminal multiple also evaluated
- Total debt of $2,475mm, total cash and investments of $6,337mm as of 30-Jun-2008 per latest public filings
- Assumes capital expenditures of $818mm and depreciation and amortization of $867mm in 2024 terminal year, per Company management
- Assumes tax rate trends from 36% in 2009 to 31% in 2024 terminal year per management forecast
- Assumes cash flows discounted back to 01-Jan-2009
- Analysis includes impact of:
  - Future employee stock options expense
    - Assumes $328mm in after-tax ESO expense in 2009 with a six percent annual growth rate
  - Changes to James / Francis marketing agreement post 2015 per management guidance on expected market rate terms
    - "Marked to market" 2015 opt-in value derived from discounting projected product royalties from large and small molecules in the unnamed pipeline beginning in 2016, with a three percent perpetuity growth rate

Goldman Sachs

Summary Management Forecast

2009E – 2015E

($ in millions, except per share data)

	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2009E - 2014E CAGR	2009E - 2015E CAGR
Revenues:									
Avastin	$3,413	$3,852	$4,665	$5,420	$6,484	$7,290	$7,849	16.4%	14.9%
Rituxan	2,584	2,608	2,426	2,489	2,498	2,369	1,977	(1.7)%	(4.4)%
Herceptin	1,603	1,778	1,787	1,753	1,728	1,735	1,752	1.6%	1.5%
Lucentis	964	1,156	1,290	1,110	1,115	1,230	1,339	5.0%	5.6%
Other Named Products	2,762	3,266	3,821	4,156	4,347	4,683	4,972	11.1%	10.3%
Unnamed	-	-	-	16	102	275	587		
Non-Product	(0)	(15)	0	(21)	(51)	(48)	(50)		
Product Sales	$11,325	$12,645	$13,989	$14,923	$16,223	$17,533	$18,427		
Royalties	2,563	2,653	2,811	2,873	2,966	3,136	2,976		
Contract & Other	351	410	638	767	838	879	850		
Total Revenue	**$14,239**	**$15,708**	**$17,439**	**$18,562**	**$20,026**	**$21,549**	**$22,253**	8.6%	7.7%
Cost and Expenses:									
Cost of Sales	$1,547	$1,693	$1,656	$1,696	$1,816	$1,885	$1,804		
R&D	2,848	3,142	3,488	3,712	4,005	4,310	4,451		
MSG&A	2,167	2,177	2,279	2,429	2,490	2,721	2,925		
Profit Sharing	1,352	1,496	1,657	1,695	1,548	1,594	1,513		
Total Cost & Exp.	**$7,914**	**$8,508**	**$9,080**	**$9,532**	**$9,858**	**$10,510**	**$10,692**		
Operating Income	**$6,326**	**$7,201**	**$8,359**	**$9,030**	**$10,168**	**$11,038**	**$11,560**	11.8%	10.6%
EBITDA	**$6,996**	**$7,884**	**$9,083**	**$9,771**	**$10,924**	**$11,817**	**$12,347**	11.1%	9.9%
Other Income, Net	281	403	494	524	590	618	796		
Earnings (Pre-Tax)	**$6,607**	**$7,604**	**$8,853**	**$9,554**	**$10,757**	**$11,656**	**$12,357**	12.0%	11.0%
Taxes	2,380	2,585	2,773	2,892	3,214	3,472	3,672		
Net Income	**$4,227**	**$5,019**	**$6,080**	**$6,662**	**$7,543**	**$8,185**	**$8,684**	14.1%	12.7%
WASO	1,053	1,022	981	941	898	864	851		
EPS	**$4.01**	**$4.91**	**$6.20**	**$7.08**	**$8.40**	**$9.47**	**$10.21**	**18.7%**	**16.8%**
Growth and Margins Analysis									
Revenue Growth	-	10.3 %	11.0 %	6.4 %	7.9 %	7.6 %	3.3 %		
R&D as % of Revenue	20.0	20.0	20.0	20.0	20.0	20.0	20.0		
MSG&A as % of Revenue	15.2	13.9	13.1	13.1	12.4	12.6	13.1		
EBIT Margin	44.4	45.8	47.9	48.6	50.8	51.2	52.0		
EBITDA Margin	49.1	50.2	52.1	52.6	54.6	54.8	55.5		
EPS Growth	-	22.4	26.1	14.3	18.5	12.8	7.7		
Selected Balance Sheet Metrics									
Cash & Equivalents [1]	$6,237	$6,444	$6,932	$7,534	$8,082	$11,473	$18,299		
Total Debt	2,345	1,656	1,640	1,623	1,603	1,581	556		
Selected Cash Flow Metrics									
Depreciation & Amortization	$670	$683	$724	$740	$757	$779	$786		
Capital Expenditures	(739)	(812)	(791)	(615)	(605)	(626)	(648)		
(Increase) / Decrease in Working Capital	(66)	(221)	(161)	(155)	(252)	(163)	(106)		

Source: Company management projections as of 01-Aug-2008

[1] *Includes short-term investments*

Cash Flow Analysis

($ in millions)

	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2009E - 2015E CAGR	2015E - 2024E CAGR	2009E - 2024E CAGR
Revenue	**$14,239**	**$15,708**	**$17,439**	**$18,562**	**$20,026**	**$21,549**	**$22,253**	**$23,183**	**$25,237**	**$27,857**	**$28,115**	**$28,539**	**$29,423**	**$32,080**	**$34,597**	**$37,125**	7.7%	5.9%	6.6%
Operating Income	$6,326	$7,201	$8,359	$9,030	$10,168	$11,038	$11,560	$11,926	$13,190	$14,807	$15,050	$14,662	$14,692	$16,150	$17,407	$19,052	10.6%	5.7%	7.6%
Taxes	(2,279)	(2,448)	(2,619)	(2,733)	(3,038)	(3,288)	(3,436)	(3,560)	(4,002)	(4,555)	(4,476)	(4,436)	(4,468)	(5,006)	(5,395)	(5,905)			
Unlevered Net Income	**$4,047**	**$4,753**	**$5,740**	**$6,297**	**$7,129**	**$7,751**	**$8,125**	**$8,367**	**$9,188**	**$10,252**	**$10,574**	**$10,226**	**$10,224**	**$11,144**	**$12,012**	**$13,147**	**12.3%**	**5.6%**	**8.2%**
D&A	$670	$683	$724	$740	$757	$779	$786	$796	$818	$840	$837	$799	$810	$840	$869	$867			
CapEx	(739)	(812)	(791)	(815)	(805)	(826)	(848)	(705)	(873)	(760)	(872)	(822)	(827)	(880)	(889)	(818)			
(Increase) / Decrease in Working Capital	(66)	(221)	(161)	(155)	(252)	(163)	(106)	(149)	(301)	(252)	(163)	(21)	(65)	(148)	(52)	(171)			
Unlevered Free Cash Flow	**$3,913**	**$4,403**	**$5,512**	**$6,266**	**$7,030**	**$7,741**	**$8,157**	**$8,309**	**$9,032**	**$10,080**	**$10,376**	**$10,182**	**$10,141**	**$10,956**	**$11,940**	**$13,025**	**13.0%**	**5.3%**	**8.3%**

Source: Company management projections as of 01-Aug-2008

Goldman Sachs

Discounted Cash Flow Analysis of Francis

Financial Sensitivities

2024 Terminal Year

Enterprise Value

Discount Rate \ Perpetuity Growth Rate	2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$88,539	$91,137	$94,107	$97,533	$101,531
9.5 %	95,338	98,518	102,186	106,467	111,525
9.0 %	102,993	106,923	111,507	116,925	123,427
8.5 %	111,571	116,483	122,288	129,253	137,767
8.0 %	121,004	127,225	134,691	143,815	155,221

Equity Value Per Share

Discount Rate \ Perpetuity Growth Rate	2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$85.66	$87.95	$90.56	$93.57	$97.08
9.5 %	91.64	94.43	97.66	101.42	105.86
9.0 %	98.37	101.82	105.85	110.61	116.33
8.5 %	105.91	110.22	115.33	121.45	128.94
8.0 %	114.20	119.67	126.24	134.26	144.30

% of Enterprise Value in Terminal Value

Discount Rate \ Perpetuity Growth Rate	2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	40.8 %	42.5 %	44.3 %	46.3 %	48.4 %
9.5 %	43.5	45.3	47.3	49.4	51.7
9.0 %	46.4	48.4	50.5	52.8	55.3
8.5 %	49.7	51.8	54.1	56.6	59.2
8.0 %	53.4	55.7	58.1	60.8	63.7

Implied 2024 P/E[1]

Discount Rate \ Perpetuity Growth Rate	2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	9.7 x	10.4 x	11.2 x	12.2 x	13.2 x
9.5 %	10.4	11.2	12.1	13.2	14.4
9.0 %	11.1	12.0	13.1	14.4	15.9
8.5 %	12.0	13.1	14.3	15.8	17.7
8.0 %	13.0	14.2	15.7	17.6	19.9

Source: Financial projections and scenarios per Francis management as of 01-Aug-2008
Note: Includes capitalized ESO expense and "marked to market" 2015 opt-in value. Assumes 1,056mm basic shares outstanding, as of 07-Aug-2008, and net cash of $3,862 million, as of 30-Jun-2008. Assumes cash flows discounted to 01-Jan-2009
[1] P/E as implied by Earnings Before Interest, After-tax

Goldman Sachs

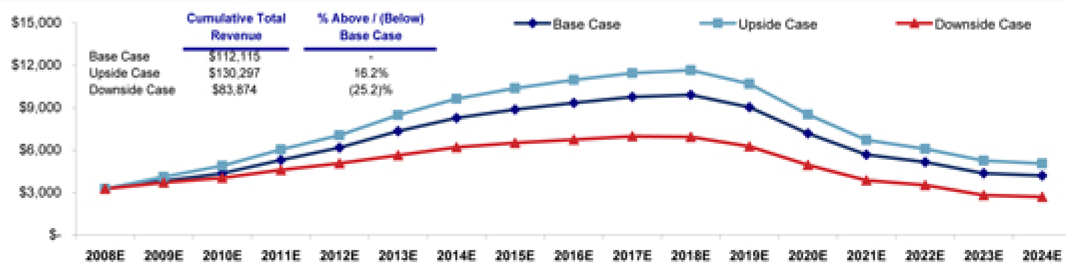
Avastin C-08 Assumptions

Base Case, C-08 Upside Case and C-08 Downside Case

($ in millions)

- Base Case:
  - 65% for PTS for adjuvant colon cancer trial (C-08) in Q2 2009
  - Most important additional Avastin indications of adjuvant breast and adjuvant lung cancer at 50% PTS
  - Implies overall adjusted Avastin revenues trend to ~65% of unadjusted Avastin revenues in 2015+ timeframe
- Upside assumptions:
  - Early positive C-08 results in Q4 2008 resulting in 17% higher sales than base case for Avastin overall in 2017E
  - Increased PTS for adjuvant lung and adjuvant breast to 70%
  - Implies overall adjusted Avastin revenues trend to ~77% of unadjusted Avastin revenues in 2015+ timeframe
- Downside assumptions:
  - Negative C-08 results by Q2 2009 resulting in 29% lower sales than base case for Avastin overall in 2017E
  - Removes adjuvant CRC revenue from base case
  - Decreased PTS assumptions for adjuvant breast and adjuvant lung indications in development to 10%
  - Implies overall adjusted Avastin revenues trend to ~45% of unadjusted Avastin revenues in 2015+ timeframe

Avastin PTS Adjusted Total Revenue: 2008E – 2024E



Source: Francis management projections

Goldman Sachs

Avastin Case Discounted Cash Flow Analysis

Base Case, C-08 Upside Case and C-08 Downside Case

2024 Terminal Year

Avastin Impact on Whole-Co. – Equity Value Per Share

C-08 Downside Case

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$76.68	$78.86	$81.31	$84.14	$87.39
9.5 %	82.16	84.78	87.76	91.25	95.36
9.0 %	88.23	91.43	95.16	99.57	104.86
8.5 %	94.99	98.98	103.71	109.38	116.31
8.0 %	102.37	107.44	113.52	120.95	130.24

Base Case

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$85.66	$87.95	$90.56	$93.57	$97.08
9.5 %	91.64	94.43	97.66	101.42	105.86
9.0 %	98.37	101.82	105.85	110.61	116.33
8.5 %	105.91	110.22	115.33	121.45	128.94
8.0 %	114.20	119.67	126.24	134.26	144.30

C-08 Upside Case

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$91.17	$93.55	$96.27	$99.41	$103.07
9.5 %	97.50	100.41	103.77	107.69	112.32
9.0 %	104.62	108.22	112.42	117.38	123.34
8.5 %	112.61	117.11	122.43	128.81	136.61
8.0 %	121.43	127.12	133.96	142.33	152.78

Incremental Impact on Whole-Co. – Equity Value Per Share

C-08 Downside Case

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	($8.98)	($9.08)	($9.24)	($9.43)	($9.69)
9.5 %	(9.48)	(9.66)	(9.89)	(10.17)	(10.50)
9.0 %	(10.13)	(10.39)	(10.69)	(11.04)	(11.47)
8.5 %	(10.92)	(11.24)	(11.62)	(12.08)	(12.63)
8.0 %	(11.83)	(12.23)	(12.72)	(13.32)	(14.06)

C-08 Upside Case

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$5.51	$5.61	$5.72	$5.84	$5.99
9.5 %	5.86	5.98	6.11	6.27	6.45
9.0 %	6.26	6.40	6.57	6.77	7.01
8.5 %	6.71	6.89	7.10	7.36	7.67
8.0 %	7.23	7.45	7.73	8.06	8.48

Source: Francis management projections

Goldman Sachs

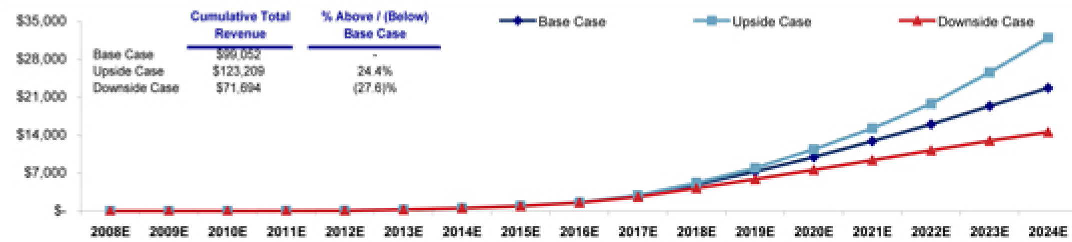
Unnamed Pipeline Assumptions

Base Case, Upside Case and Downside Case

($ in millions)

- Unnamed pipeline consists of large molecule and small molecule NMEs
  - Large molecule NMEs trend toward approximately four per year to enter pipeline
    - On average, $1bn peak sales (including line extension opportunities)
    - Blended NME PTS of 23%
  - Small molecule NMEs comprise approximately 50+% of the remaining unnamed pipeline
    - On average, $1bn peak sales (including line extension opportunities)
    - Blended NME PTS of 23%
- Upside assumptions:
  - One in five future molecules added to the portfolio to have an Avastin like sales potential (on average, $2.3bn peak sales)
  - Approximately 13% higher marketing and sales costs
  - Incremental R&D expenditure for each lead or line extension consistent with base case
  - PTS remains the same as the base case
  - 42% higher product sales and 12% higher royalties in 2024E
- Downside assumptions:
  - Reduced overall market opportunity to $500mm for each product
  - Approximately 25% lower marketing and sales costs; R&D spend remains unchanged
  - PTS remains the same as the base case
  - 39% lower product sales and 24% lower royalties in 2024E

Unnamed PTS Adjusted Total Revenue: 2008E – 2024E



Source: Francis management projections

Goldman Sachs

Unnamed Products Case Discounted Cash Flow Analysis

Base Case, Upside Case and Downside Case

2024 Terminal Year

Unnamed Product Impact on Whole-Co. – Equity Value Per Share

Downside Case

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$72.62	$74.25	$76.12	$78.26	$80.70
9.5 %	77.12	79.09	81.33	83.93	86.98
9.0 %	81.99	84.38	87.14	90.40	94.31
8.5 %	87.23	90.19	93.68	97.87	102.99
8.0 %	92.73	96.48	100.97	106.46	113.33

Base Case

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$85.66	$87.95	$90.56	$93.57	$97.08
9.5 %	91.64	94.43	97.66	101.42	105.86
9.0 %	98.37	101.82	105.85	110.61	116.33
8.5 %	105.91	110.22	115.33	121.45	128.94
8.0 %	114.20	119.67	126.24	134.26	144.30

Upside Case

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$93.17	$95.94	$99.12	$102.78	$107.05
9.5 %	100.21	103.61	107.53	112.11	117.52
9.0 %	108.20	112.40	117.31	123.10	130.06
8.5 %	117.26	122.51	128.72	136.17	145.28
8.0 %	127.38	134.03	142.02	151.78	163.99

Incremental Impact on Whole-Co. – Equity Value Per Share

Downside Case

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	($13.04)	($13.69)	($14.44)	($15.31)	($16.38)
9.5 %	(14.52)	(15.34)	(16.33)	(17.48)	(18.88)
9.0 %	(16.38)	(17.44)	(18.71)	(20.22)	(22.02)
8.5 %	(18.67)	(20.04)	(21.65)	(23.59)	(25.95)
8.0 %	(21.46)	(23.19)	(25.27)	(27.80)	(30.97)

Upside Case

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$7.51	$8.00	$8.56	$9.21	$9.97
9.5 %	8.57	9.18	9.87	10.69	11.65
9.0 %	9.84	10.59	11.46	12.49	13.73
8.5 %	11.35	12.29	13.39	14.72	16.34
8.0 %	13.18	14.36	15.78	17.52	19.69

Source: *Francis management projections*

Goldman Sachs

Discounted Cash Flow Analysis of Francis

Revenue Impact and Pricing Considerations

2024 Terminal Year

Equity Value Per Share

Incremental Change in Total Revenue

Change in EBIT Margin	(10.0)%	(5.0)%	0.0 %	5.0 %	10.0 %
(4.0)%	$84.61	$91.04	$97.47	$103.89	$110.32
(2.0)%	88.38	95.02	101.66	108.30	114.94
0.0 %	92.15	99.00	105.85	112.70	119.55
2.0 %	95.93	102.98	110.04	117.10	124.16
4.0 %	99.70	106.97	114.23	121.51	128.78

Examples of Revenue Impacts

- Avastin competition: +7% / -11% in total revenue in 2015E (+17% / -27% in Avastin total sales)
- Hera 2-year results: +3% / -1% in total revenue in 2015E (+26% / -5% in Herceptin total sales)
- Lucentis CATT results: +2% / -3% in total revenue in 2015E (+25% / -38% in Lucentis total sales)

Equity Value Per Share

Company-wide Change in Pricing

Discount Rate	(10.0)%	(5.0)%	0.0 %	5.0 %	10.0 %
10.0 %	$73.55	$82.16	$90.56	$98.92	$107.29
9.5 %	79.40	88.56	97.66	106.75	115.85
9.0 %	85.95	95.90	105.85	115.80	125.76
8.5 %	93.40	104.36	115.33	126.30	137.27
8.0 %	101.85	114.04	126.24	138.43	150.63

Pricing Considerations

- 23% of oncologists said costs influence their treatment decisions, and 16% said they omit discussion of very expensive treatments when they know the cost will place great strain on patients' resources [1]
- "Although NICE's appraisal committee acknowledged that the newer drugs are clinically effective, it argued that none is cost-effective and so would not be a good use of limited NHS resources" (Mike Ward, BioCentury, 11-Aug-2008)

Source: Financial projections and scenarios per Francis management as of 01-Aug-2008
Note: Assumes 3.0% perpetuity growth rate and 9.0% discount rate, unless otherwise noted. Includes capitalized ESO expense and "marked to market" 2015 opt-in value. Assumes 1,056mm basic shares outstanding plus dilution from options, as of 07-Aug-2008, and net cash of $3,862 million, as of 30-Jun-2008. Assumes cash flows discounted to 01-Jan-2009
[1] *Per a study conducted in the Journal of Clinical Oncology.*

Goldman Sachs

Discounted Cash Flow Analysis of Francis

Tax and Follow-on Biologic Considerations

2024 Terminal Year

Equity Value Per Share

Discount Rate	Terminal Year Tax Rate: 36.0 %	33.5 %	31.0 %	28.5 %	26.0 %
10.0 %	$87.69	$89.12	$90.56	$91.99	$93.42
9.5 %	94.35	96.01	97.66	99.31	100.96
9.0 %	102.02	103.93	105.85	107.77	109.68
8.5 %	110.85	113.09	115.33	117.57	119.81
8.0 %	120.95	123.60	126.24	128.88	131.52

Tax Considerations

- U.S. tax system may eventually shift to tax worldwide income, thus reducing offshore tax benefits
- Potential may exist to shift some offshore income out of the U.S. over time
- Future tax environment is very difficult to predict
- Strategies to shift tax burden over time may have an upfront cost that should be considered (e.g., building new manufacturing facilities)

Equity Value Per Share

Discount Rate	Incremental Follow-on Biologic Erosion for Top 4 Products [1]: (20.0)%	(10.0)%	0.0 %	10.0 %	20.0 %
10.0 %	$87.63	$89.09	$90.56	$92.02	$93.48
9.5 %	94.33	95.99	97.66	99.32	100.98
9.0 %	102.05	103.95	105.85	107.75	109.65
8.5 %	110.95	113.14	115.33	117.52	119.71
8.0 %	121.15	123.69	126.24	128.78	131.32

Follow-on Biologic Considerations

- Generic impact for small molecule products can vary widely
- Due to limited entry, generic biologics will be relatively close in price to branded biologics
  - Less entry in biologics compared to pharmaceuticals due to greater variable costs and lower contribution margin
- On average, generic pharma price is approximately 54% of branded price within 12 months after first generic launch [2]
- To date biosimilars for erythropoetin and hGH have had limited impact on the branded competitors

Source: Financial projections and scenarios per Francis management as of 01-Aug-2008
Note: Assumes 3.0% perpetuity growth rate. Includes capitalized ESO expense and "marked to market" 2015 opt-in value. Assumes 1,056mm basic shares outstanding plus dilution from options, as of 07-Aug-2008, and net cash of $3,862 million, as of 30-Jun-2008. Assumes cash flows discounted to 01-Jan-2009
[1] *Base case assumption of an impact of approximately 40% of peak sales.*
[2] *Per a study of 40 generic pharma products from the Duke Clinical Research Institute. Study hypothesizes that generic pharma data provides some insight for generic biologics.*

Goldman Sachs

Additional Financial Analysis Included in the DCF

Future Employee Stock Options Expense and 2015 Opt-In Value

($ in millions)

Employee Stock Options Expense

Discount Rate				
10.0 %	**9.5 %**	**9.0 %**	**8.5 %**	**8.0 %**
($8,470)	($9,665)	($11,259)	($13,491)	($16,837)

- Assumes Black Scholes based estimate of 2007 stock option grant expense (tax affected) per Francis 10-K filing
- Net present value of annual projected ESO expenses
- Assumes 6% annual growth rate of ESO issuance value, comprised of 3% growth in the number of employees and 3% of inflation

2015 Commercial Agreement Opt-In Value

Discount Rate				
10.0 %	**9.5 %**	**9.0 %**	**8.5 %**	**8.0 %**
$2,340	$2,827	$3,439	$4,215	$5,213

- Evaluates royalty revenue derived from the unnamed pipeline following the expiration of the James opt-in rights in 2015
- Assumes large and small molecule projections per Francis management, including revenue profile and number of large and small molecules
- Assumes current commercial agreement royalties are approximately 50% of "market rate" (30% royalty vs. current 15% royalty)
- 3% perpetuity growth rate

Source: Financial projections and scenarios per Francis management as of 01-Aug-2008
Note: Assumes 1,056mm basic shares outstanding, as of 07-Aug-2008, and net cash of $3,862 million, as of 30-Jun-2008. Assumes cash flows discounted to 01-Jan-2009

Sum of the Parts Analysis
Key Assumptions

- Anaysis for Francis separated into seven components:
  - Avastin, Rituxan, Herceptin, Lucentis, Other Named Products and Pipeline, Unnamed and Non-Product
- Includes the net present value of capitalized employee stock options expense, “marked to market” 2015 opt-in value and net cash
- Total debt of $2,475mm, total cash and investments of $6,337mm as of 30-Jun-2008 per latest public filings
- By component, depreciation and amortization, capital expenditures and changes in working capital allocated as a percentage of total revenue contribution
- Analysis of terminal value derived using perpetuity growth rates
  - Terminal growth rate for Unnamed products implied from terminal ranges on other components and total Company terminal ranges
- Assumes tax rate per Francis management for each component

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Sum of the Parts Analysis

2024 Terminal Year

	Value Range		Terminal Value Methodology
Avastin	$32.39	$40.97	(4.0)% to 0.0%
Rituxan	6.25	7.17	(4.0)% to 0.0%
Herceptin	11.24	13.50	(4.0)% to 0.0%
Lucentis	6.02	7.36	(4.0)% to 0.0%
Other Named Products and Pipeline	18.34	27.16	(1.0)% to 1.0%
Unnamed	29.92	83.29	**4.0% to 5.2%**
Non-Product	(16.39)	(28.11)	2.0% to 4.0%
Capitalized ESO Expense	(7.85)	(15.27)	
"Marked to Market" 2015 Opt-In Value	2.17	4.73	
Net Cash	3.58	3.50	
Total	$85.66	$144.30	
Whole-Co DCF Value	$85.66	$144.30	2.0% to 4.0%
Current Price (as of 08-Aug-2008)		$96.95	

Source: Francis financials per Francis management
Note: Assumes discount rates of 8.0% - 10.0% and 1,056mm basic shares outstanding plus dilution from options as of 07-Aug-2008, per Francis management. Assumes total debt of $2,475mm, total cash and investments of $6,337mm as of 30-Jun-2008 per latest public filings. Terminal growth rate for Unnamed products implied from terminal ranges on other components and total Company terminal ranges

Sum of the Parts Analysis

2024 Terminal Year

Avastin

Discount Rate	Perpetuity Growth Rate (4.0)%	(3.0)%	(2.0)%	(1.0)%	0.0 %
10.0 %	$32.39	$32.67	$32.99	$33.38	$33.85
9.5 %	33.67	33.99	34.37	34.82	35.38
9.0 %	35.05	35.42	35.86	36.40	37.06
8.5 %	36.54	36.97	37.49	38.12	38.91
8.0 %	38.15	38.65	39.26	40.02	40.97

Rituxan

Discount Rate	Perpetuity Growth Rate (4.0)%	(3.0)%	(2.0)%	(1.0)%	0.0 %
10.0 %	$6.25	$6.27	$6.29	$6.32	$6.36
9.5 %	6.40	6.43	6.46	6.49	6.54
9.0 %	6.57	6.60	6.63	6.68	6.73
8.5 %	6.74	6.78	6.82	6.87	6.94
8.0 %	6.93	6.97	7.03	7.09	7.17

Herceptin

Discount Rate	Perpetuity Growth Rate (4.0)%	(3.0)%	(2.0)%	(1.0)%	0.0 %
10.0 %	$11.24	$11.30	$11.38	$11.48	$11.59
9.5 %	11.58	11.66	11.75	11.87	12.00
9.0 %	11.96	12.05	12.16	12.29	12.45
8.5 %	12.36	12.47	12.59	12.75	12.95
8.0 %	12.79	12.92	13.07	13.26	13.50

Lucentis

Discount Rate	Perpetuity Growth Rate (4.0)%	(3.0)%	(2.0)%	(1.0)%	0.0 %
10.0 %	$6.02	$6.06	$6.10	$6.16	$6.23
9.5 %	6.22	6.27	6.32	6.39	6.47
9.0 %	6.44	6.49	6.56	6.64	6.74
8.5 %	6.68	6.74	6.82	6.91	7.03
8.0 %	6.93	7.01	7.10	7.21	7.36

Other Named Products

Discount Rate	Perpetuity Growth Rate (1.0)%	(0.5)%	0.0 %	0.5 %	1.0 %
10.0 %	$18.34	$18.64	$18.97	$19.34	$19.74
9.5 %	19.59	19.94	20.33	20.76	21.25
9.0 %	20.98	21.40	21.86	22.38	22.96
8.5 %	22.53	23.03	23.58	24.21	24.91
8.0 %	24.28	24.88	25.54	26.30	27.16

Unnamed

Discount Rate	Perpetuity Growth Rate 4.0 %	4.3 %	4.6 %	4.9 %	5.2 %
10.0 %	$29.92	$31.46	$33.18	$35.10	$37.26
9.5 %	34.95	36.92	39.13	41.63	44.49
9.0 %	41.13	43.69	46.60	49.94	53.81
8.5 %	48.86	52.26	56.18	60.77	66.19
8.0 %	58.74	63.37	68.83	75.35	83.29

Non-Product

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	($16.39)	($16.81)	($17.29)	($17.84)	($18.48)
9.5 %	(17.62)	(18.13)	(18.72)	(19.41)	(20.23)
9.0 %	(19.04)	(19.67)	(20.41)	(21.28)	(22.32)
8.5 %	(20.68)	(21.47)	(22.40)	(23.52)	(24.89)
8.0 %	(22.61)	(23.61)	(24.81)	(26.28)	(28.11)

ESO Expense + 2015 Opt-In + Net Cash

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	($2.10)	($2.10)	($2.10)	($2.09)	($2.09)
9.5 %	(2.75)	(2.74)	(2.74)	(2.74)	(2.73)
9.0 %	(3.64)	(3.64)	(3.63)	(3.63)	(3.62)
8.5 %	(4.97)	(4.96)	(4.95)	(4.94)	(4.93)
8.0 %	(7.10)	(7.09)	(7.07)	(7.06)	(7.04)

Consolidated

Discount Rate	Perpetuity Growth Rate				
10.0 %	$85.66	$87.50	$89.54	$91.85	$94.46
9.5 %	92.05	94.33	96.91	99.83	103.17
9.0 %	99.44	102.34	105.63	109.42	113.81
8.5 %	108.06	111.81	116.13	121.17	127.12
8.0 %	118.11	123.10	128.95	135.90	144.30

Source: Francis management projections

Goldman Sachs

Comparison of Selected Comparable Companies

Selected Biotech

($ in millions, except per share data)

	Price as of 8-Aug-2008	52-Week High	Diluted Market Cap	Diluted Enterprise Value	Long-Term EPS Growth	EV / LTM Sales	P/E 2008E	P/E 2009E	P/E to Growth 2008E	P/E to Growth 2009E
Francis	$96.95	100.0 %	$105,658	$101,660	15.0 %	8.5 x	28.0 x	24.7 x	1.9 x	1.6 x
1 - Month Average	89.04	91.8	96,580	92,582	15.0	7.8	25.7	22.7	1.7	1.5
3 - Month Average	78.53	81.0	84,680	80,682	15.0	6.8	22.7	20.0	1.5	1.3
Selected Biotech[1]										
Amgen	$63.80	100.0 %	$67,629	$70,159	9.5 %	4.8 x	14.6 x	14.1 x	1.5 x	1.5 x
Biogen Idec	49.90	60.5	14,484	14,037	13.0	3.2	14.1	12.8	1.1	1.0
Celgene	75.15	98.2	38,208	35,978	36.7	22.8	48.8	32.0	1.3	0.9
Genzyme	78.82	97.2	22,733	21,403	19.0	5.3	19.9	16.5	1.0	0.9
Gilead	56.77	100.0	57,026	54,557	18.0	12.2	28.7	24.8	1.6	1.4
High		100.0 %	$67,629	$70,159	36.7 %	22.8 x	48.8 x	32.0 x	1.6 x	1.5 x
Mean		91.2	40,016	39,227	19.2	9.7	25.2	20.1	1.3	1.1
Median		98.2	38,208	35,978	18.0	5.3	19.9	16.5	1.3	1.0
Low		60.5	14,484	14,037	9.5	3.2	14.1	12.8	1.0	0.9

Source: Latest publicly available financial statements, IBES median estimates and Wall Street research as of 08-Aug-2008
[1] Selected Biotech includes profitable companies with Market Cap >$15bn.

Goldman Sachs

Comparison of Selected Comparable Companies

Large Pharma

($ in millions, except per share data)

	Price as of 8-Aug-2008	52-Week High	Diluted Market Cap	Diluted Enterprise Value	Long-Term EPS Growth	EV / LTM Sales	P/E 2008E	P/E 2009E	P/E to Growth 2008E	P/E to Growth 2009E
Francis	$96.95	100.0 %	$105,658	$101,660	15.0 %	8.5 x	28.0 x	24.7 x	1.9 x	1.6 x
1 - Month Average	89.04	91.8	96,580	92,582	15.0	7.8	25.7	22.7	1.7	1.5
3 - Month Average	78.53	81.0	84,680	80,682	15.0	6.8	22.7	20.0	1.5	1.3
Large Pharma										
James	$175.37	86.9 %	$153,342	$148,029	7.8 %	3.0 x	16.4 x	14.8 x	2.1 x	1.9 x
Abbott	59.03	97.6	92,522	141,735	12.5	5.3	18.0	16.2	1.4	1.3
AstraZeneca	49.68	100.0	72,306	123,832	4.0	4.1	10.2	9.7	2.5	2.4
Bayer	82.21	83.7	62,839	140,379	7.1	2.9	13.3	11.9	1.9	1.7
Bristol-Myers Squibb	22.31	74.1	44,183	87,614	11.3	4.3	13.5	11.2	1.2	1.0
Eli Lilly	48.51	81.6	55,153	94,067	5.9	4.9	12.3	11.3	2.1	1.9
GSK	24.14	91.0	124,531	136,690	5.5	3.2	12.6	12.3	2.3	2.2
Johnson & Johnson	71.55	100.0	203,628	203,722	8.2	3.3	15.9	15.1	2.0	1.8
Merck	35.95	59.2	77,022	74,682	5.0	3.1	10.9	10.1	2.2	2.0
Merck KGaA	117.19	79.8	25,476	86,418	9.5	8.0	12.6	11.2	1.3	1.2
Novartis	57.48	93.1	130,244	175,894	7.6	4.3	15.6	13.9	2.1	1.8
Novo Nordisk	62.28	87.8	38,932	45,741	12.5	5.3	21.2	19.2	1.7	1.5
Pfizer	19.84	77.6	133,741	162,216	4.0	3.4	8.4	7.8	2.1	2.0
Sanofi-Aventis	72.86	72.8	95,204	101,806	2.0	2.3	9.1	8.4	4.5	4.2
Schering-Plough	20.63	62.6	33,614	83,116	11.0	5.8	12.9	12.1	1.2	1.1
Wyeth	43.75	86.5	58,416	96,960	3.6	4.3	12.4	11.8	3.5	3.3
High		100.0 %	$203,628	$203,722	12.5 %	8.0 x	21.2 x	19.2 x	4.5 x	4.2 x
Mean		83.4	87,572	118,931	7.3	4.2	13.5	12.3	2.1	2.0
Median		85.1	74,664	112,819	7.3	4.2	12.8	11.9	2.1	1.9
Low		59.2	25,476	45,741	2.0	2.3	8.4	7.8	1.2	1.0

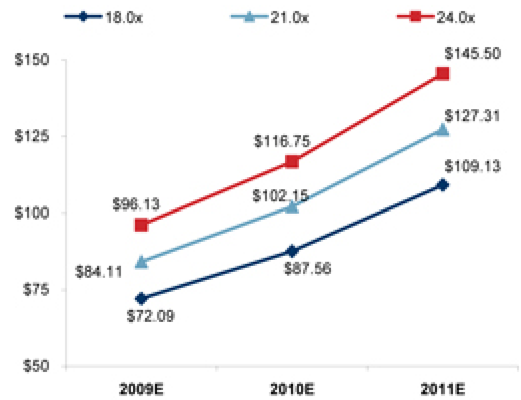
Source: *Latest publicly available financial statements, IBES median estimates and Wall Street research as of 08-Aug-2008*

Goldman Sachs

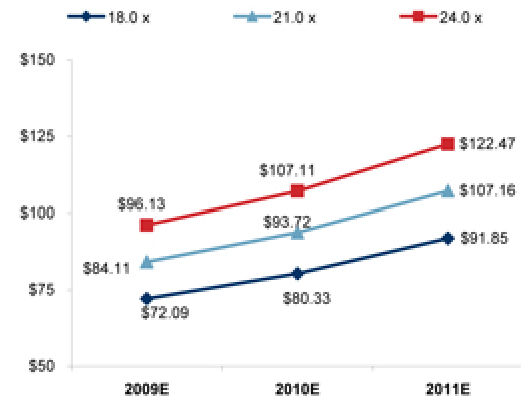
Present Value of Future Stock Price Analysis

Management Case, Adjusted for Share Repurchases at One Year Forward at 21.0x P/E[1]

Future Stock Price (Undiscounted)



Present Value at 9.0% Cost of Equity



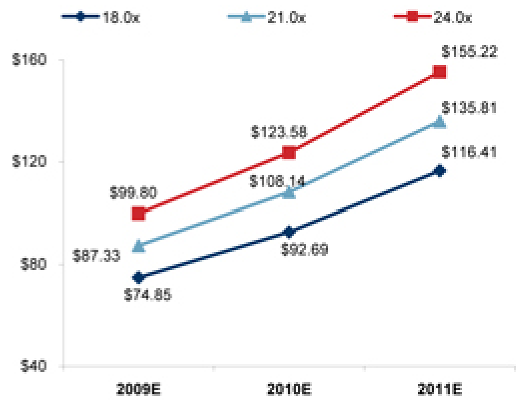
	2009E	2010E	2011E
EPS (Calculated)	$ 4.01	$ 4.86	$ 6.06
IBES	$ 3.95	$ 4.44	$ 4.94[2]

Source: Francis management projections and IBES
[1] *Assumes cash of $3.9bn, $5.0b, $6.7bn for 2009-11, respectively, used to repurchase shares based on management projections. Price of share repurchase assumed to be 21.0x one year forward EPS per Management Case ($103.15, $130.10, $148.76 for 2009-11, respectively).*
[2] *2011E IBES mean based on selected composite from Wall Street research*

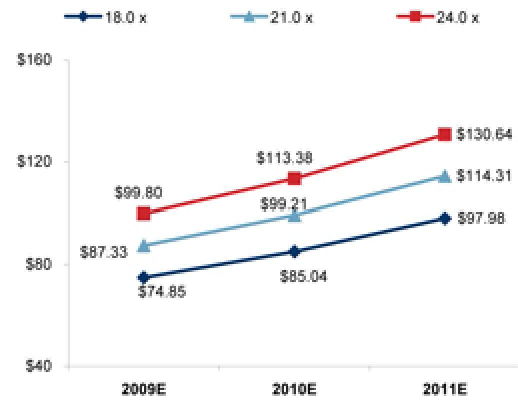
Present Value of Future Stock Price Analysis

C-08 Upside Case, Adjusted for Share Repurchases at One Year Forward at 21.0x P/E[1]

Future Stock Price (Undiscounted)



Present Value at 9.0% Cost of Equity



	2009E	2010E	2011E
EPS (Calculated)	$ 4.16	$ 5.15	$ 6.47
IBES	$ 3.95	$ 4.44	$ 4.94[2]

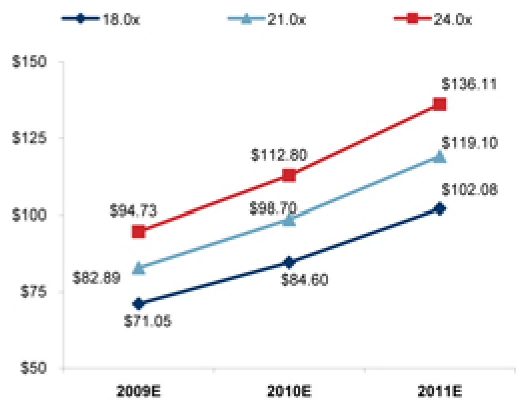
Source: Francis management projections and IBES
[1] Assumes cash of $3.9bn, $5.0b, $6.7bn for 2009-11, respectively, used to repurchase shares based on management projections. Price of share repurchase assumed to be 21.0x one year forward EPS per Management Case with Avastin C-08 Upside ($109.70, $139.50, $150.07 for 2009-11, respectively).
[2] 2011E IBES mean based on selected composite from Wall Street research

Goldman Sachs

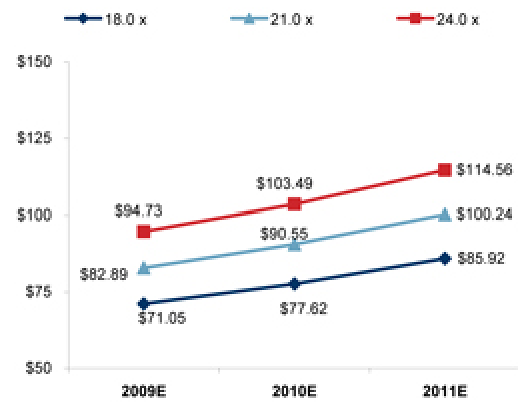
Present Value of Future Stock Price Analysis

C-08 Downside Case, Adjusted for Share Repurchases at One Year Forward at 21.0x P/E[1]

Future Stock Price (Undiscounted)



Present Value at 9.0% Cost of Equity



	2009E	2010E	2011E
EPS (Calculated)	$ 3.95	$ 4.70	$ 5.67
IBES	$ 3.95	$ 4.44	$ 4.94[2]

Source: Francis management projections and IBES

[1] *Assumes cash of $3.9bn, $5.0b, $6.7bn for 2009-11, respectively, used to repurchase shares based on management projections. Price of share repurchase assumed to be 21.0x one year forward EPS per Management Case with Avastin C-08 Downside ($99.23, $120.50, $132.85 for 2009-11, respectively).*

[2] *2011E IBES mean based on selected composite from Wall Street research*

V. Transaction Analysis

Goldman Sachs

Transaction Analysis Assumptions

- James projections based on Wall Street research dated 28-Jul-08
- Francis projections per Company management as of 01-Aug-2008
- Assumes 100% cash transaction financed with $10 billion in existing cash and the remainder in new debt
  - Cost of debt assumed to range from 4.3% to 5.0% depending on the size of the transaction and resulting debt rating
- Achieves pre-tax synergies of $400 million in 2009E and $800 million in 2010E and 2011E
  - Excludes potential costs to achieve synergies
- 3.0% opportunity cost of cash
- CHF10 billion minimum cash balance for pro forma company
  - Excess free cash flow used to service debt
- Assumes no amortization of excess purchase price due to ability of James to account for it on the balance sheet directly as a reduction in equity (Francis already consolidated)
- Assumes transaction closes 31-Dec-2008

Goldman Sachs

Sources and Uses for James Acquisition of the Minority

At $89 Per Share

(Figures in millions)

Sources	USD	CHF
Francis Cash Used	$6,337	CHF 6,859
James Existing Cash Used	3,663	3,964
Total Cash Used	$10,000	CHF 10,823
Debt Issuance:		
Commercial Paper @ 2.54%	$15,000	CHF 16,235
Bonds ($) @ 6.00%	10,000	10,823
Bonds (EUR) @ 6.25%	5,000	5,412
Term Loan @ 4.29%	4,328	4,684
Total Debt Issuance	$34,328	CHF 37,153
Total Sources	**$44,328**	**CHF 47,976**

Uses	USD	CHF
Transaction Size at $89.00 Per Share	$43,828	CHF 47,435
Financing / Transaction Fees	$500	CHF 541
Total Uses	**$44,328**	**CHF 47,976**

Note: Assumes $89.00 per share acquisition price

Goldman Sachs

Accretion / (Dilution) Analysis Including Synergies

James Acquires the Minority Share of Francis[1]

(Figures in millions, except per share data)

Currency Exchange Rate (CHF / $)	1.08

Price Per Share ($)	$89.00	$95.00	$100.00	$105.00	$110.00	$115.00	$120.00	$125.00	$130.00
Price Per Share (CHF)	CHF 96.32	CHF 102.82	CHF 108.23	CHF 113.64	CHF 119.05	CHF 124.46	CHF 129.88	CHF 135.29	CHF 140.70
Minority Shares (mm)	492	496	499	501	503	505	507	508	510
Equity Consideration - Diluted	$43,828	$47,114	$49,855	$52,597	$55,338	$58,079	$60,821	$63,562	$66,304
	CHF 47,435	CHF 50,992	CHF 53,958	CHF 56,925	CHF 59,892	CHF 62,859	CHF 65,826	CHF 68,793	CHF 71,760
Existing Cash Used	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
	CHF 10,823	CHF 10,823	CHF 10,823	CHF 10,823	CHF 10,823	CHF 10,823	CHF 10,823	CHF 10,823	CHF 10,823
Incremental Financing Need	$34,328	$37,614	$40,355	$43,097	$45,838	$48,579	$51,321	$54,062	$56,804
	CHF 37,153	CHF 40,710	CHF 43,677	CHF 46,644	CHF 49,611	CHF 52,578	CHF 55,545	CHF 58,512	CHF 61,479
Estimated Average Financing Cost	4.3%	4.3%	4.3%	4.3%	5.0%	5.0%	5.0%	5.0%	5.0%
% Accretion / (Dilution) to James									
2009E	1.1%	0.1%	(0.8)%	(1.6)%	(4.2)%	(5.1)%	(6.0)%	(6.8)%	(7.7)%
2010E	5.6%	4.7%	4.0%	3.2%	2.2%	1.4%	0.6%	(0.2)%	(1.0)%
2011E	11.9%	11.2%	10.5%	9.8%	9.4%	8.6%	7.9%	7.2%	6.5%
Incremental Pre-tax Synergies to Breakeven									
2009E	NM	NM	CHF 116	CHF 243	CHF 636	CHF 771	CHF 906	CHF 1,041	CHF 1,175
2010E	NM	NM	NM	NM	NM	NM	NM	29	164
2011E	NM	NM	NM	NM	NM	NM	NM	NM	NM
Pro Forma EPS Growth (Standalone)									
2009E - 2011E (Standalone: 12.0%)	17.9%	18.1%	18.2%	18.4%	19.7%	19.9%	20.0%	20.2%	20.4%

Note: Assumes 100% cash transaction financed with $10 billion in existing cash and the remainder in new debt. Assumes 3.0% opportunity cost of cash. Assumes pre-tax synergies of $400 million in 2009E and $800 million in 2010E and 2011E. Standalone EPS growth per Wall Street research

[1] Does not include potential tax benefits James may realize.

Goldman Sachs

Leverage Analysis for James

Pro Forma for the Acquisition of Francis

(Figures in millions, except per share data)

Currency Exchange Rate (CHF / $)	**1.08**

Price Per Share ($)	**$89.00**	**$95.00**	**$100.00**	**$105.00**	**$110.00**	**$115.00**	**$120.00**	**$125.00**	**$130.00**
Price Per Share (CHF)	**CHF 96.32**	**CHF 102.82**	**CHF 108.23**	**CHF 113.64**	**CHF 119.05**	**CHF 124.46**	**CHF 129.88**	**CHF 135.29**	**CHF 140.70**
Minority Shares (mm)	**492**	**496**	**499**	**501**	**503**	**505**	**507**	**508**	**510**
Equity Consideration - Diluted	**$43,828**	**$47,114**	**$49,855**	**$52,597**	**$55,338**	**$58,079**	**$60,821**	**$63,562**	**$66,304**
	CHF 47,435	**CHF 50,992**	**CHF 53,958**	**CHF 56,925**	**CHF 59,892**	**CHF 62,859**	**CHF 65,826**	**CHF 68,793**	**CHF 71,760**
Existing Cash Used	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
	CHF 10,823	CHF 10,823	CHF 10,823	CHF 10,823	CHF 10,823	CHF 10,823	CHF 10,823	CHF 10,823	CHF 10,823
Incremental Financing Need	$34,328	$37,614	$40,355	$43,097	$45,838	$48,579	$51,321	$54,062	$56,804
	CHF 37,153	CHF 40,710	CHF 43,677	CHF 46,644	CHF 49,611	CHF 52,578	CHF 55,545	CHF 58,512	CHF 61,479
2008E Pro Forma Credit Profile (CHF mn)									
EBITDA	CHF 17,254	CHF 17,254	CHF 17,254	CHF 17,254	CHF 17,254	CHF 17,254	CHF 17,254	CHF 17,254	CHF 17,254
CapEx	3,300	3,300	3,300	3,300	3,300	3,300	3,300	3,300	3,300
Total Debt	41,779	45,336	48,303	51,270	54,237	57,204	60,171	63,138	66,105
Total Debt / EBITDA	2.4 x	2.6 x	2.8 x	3.0 x	3.1 x	3.3 x	3.5 x	3.7 x	3.8 x
Total Debt / (EBITDA - CapEx)	3.0	3.2	3.5	3.7	3.9	4.1	4.3	4.5	4.7
Net Debt	30,532	34,090	37,056	40,023	42,990	45,957	48,924	51,891	54,858
Net Debt / EBITDA	1.8 x	2.0 x	2.1 x	2.3 x	2.5 x	2.7 x	2.8 x	3.0 x	3.2 x
Net Debt / (EBITDA - CapEx)	2.2	2.4	2.7	2.9	3.1	3.3	3.5	3.7	3.9
Total Cash	11,246	11,246	11,246	11,246	11,246	11,246	11,246	11,246	11,246
2009E Pro Forma Credit Profile (CHF mn)									
EBITDA	CHF 19,871	CHF 19,871	CHF 19,871	CHF 19,871	CHF 19,871	CHF 19,871	CHF 19,871	CHF 19,871	CHF 19,871
CapEx	2,493	2,493	2,493	2,493	2,493	2,493	2,493	2,493	2,493
Total Debt	28,050	31,607	34,573	37,540	40,507	43,474	46,441	49,408	52,375
Total Debt / EBITDA	1.4 x	1.6 x	1.7 x	1.9 x	2.0 x	2.2 x	2.3 x	2.5 x	2.6 x
Total Debt / (EBITDA - CapEx)	1.6	1.8	2.0	2.2	2.3	2.5	2.7	2.8	3.0
Net Debt	18,050	21,607	24,573	27,540	30,507	33,474	36,441	39,408	42,375
Net Debt / EBITDA	0.9 x	1.1 x	1.2 x	1.4 x	1.5 x	1.7 x	1.8 x	2.0 x	2.1 x
Net Debt / (EBITDA - CapEx)	1.0	1.2	1.4	1.6	1.8	1.9	2.1	2.3	2.4
Total Cash	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Preliminary Long-term Credit Rating	AA- / A1	AA- / A1	AA-,A+ / A1,A2	A+ / A2	A / A3 upside potential		A / A3	A- / Baa1	A- / Baa1
Potential Notch Downgrade [1]	0 / 3	0 / 3	1 / 4	1 / 4	2 / 5		2 / 5	3 / 6	3 / 6
Preliminary Short-term Credit Rating	A-1+ / P-1	A-1+ / P-1	A-1+,A-1 / P-1	A-1 / P-1	<---- A-1 stable / P-1 at risk ---->		A-2 / P-2	A-2 / P-2	A-2 / P-2
Estimated Minimum Bank Loan Capacit	$15,672	$12,386	$9,645	$6,903	$4,162	$1,421	-	-	-
Estimated Average Financing Cost	4.3%	4.3%	4.3%	4.3%	5.0%	5.0%	5.0%	5.0%	5.0%

Source: Francis management projections
Note: Assumes debt paydown beginning in 2009 with a minimum CHF10,000 mn cash balance
[1] Assumes current Moody's long-term rating of Aa1, which is under review for possible downgrade.
[2] Incremental financing capacity assumes maximum of $50 billion in bank financing available. A-1 / P-1 short-term credit rating decline limits access to CP market.

Goldman Sachs

Synergy Levels in Precedent Pharmaceutical Transactions

($ in millions)

Announced Transactions	Transaction Type	Total Announced Cost Savings ($)	Total Cost Savings as a % of Prior Year Combined: Pharma Sales	Total Cost Savings as a % of Prior Year Combined: R&D + SG&A
James / Francis	*Acquisition*	*$750 - $850*	*2.1% - 2.5%*	*3.0% - 3.4%*
UCB / Schwarz	Acquisition	382	10.8	17.5
AstraZeneca / MedImmune	Acquisition	500	1.8	3.3
Roche / Syntex	Acquisition	825	10.6	21.4
Glaxo / Wellcome	Acquisition	1,165	9.4	19.9
Ciba-Geigy / Sandoz	Merger of Equals	1,500	7.8	17.7
Pfizer / Warner-Lambert[1]	Acquisition	1,700	8.1	14.5
Astra / Zeneca	Merger of Equals	1,900	8.5	14.1
Pharmacia / Upjohn	Merger of Equals	500	6.7	13.5
Glaxo / SmithKline	Merger of Equals	1,700	8.1	13.0
AHP / Monsanto	Merger of Equals	1,400	6.2	12.9
Sanofi-Synthelabo / Aventis	Acquisition	1,940	6.1	12.5
Pfizer / Pharmacia	Acquisition	2,500	6.8	11.0
Monsanto / Pharmacia & Upjohn	Merger of Equals	600	5.7	9.4
AHP / Warner-Lambert[2]	Merger of Equals	1,200	6.9	9.1
		High	***10.8%***	***21.4%***
		Mean	***7.6***	***14.1***
		Median	***7.4***	***13.3***
		Low	***1.8***	***3.3***

Source: Publicly available information
[1] Represents percentages based on Pharma businesses only. Adjusts for Warner-Lambert's consumer and confectionary businesses and Pfizer's animal health and consumer businesses.
[2] Deal withdrawn.

Additional Sources of Transaction Value

Synergy Benefits

- James has messaged $750 - $850mm in synergies
  - Precedent transactions indicate synergies could be substantially larger

EPS Impact to James

- The incremental impact of each incremental $100mm of pre-tax synergies is an annual CHF 0.08 per share to James EPS (0.6% of James 2009E EPS)

Present Value of Synergies

- Synergies benefit is attributable to the minority shareholders (469mm shares)

Present Value of Synergies

Cost of Capital	Annual Savings: $750	$850	$1,500
10.0 %	$4,798	$5,438	$9,597
9.0 %	5,332	6,042	10,663
8.0 %	5,998	6,798	11,996

Present Value of Synergies Per Minority Share

Cost of Capital	Annual Savings: $750	$850	$1,500
10.0 %	$10.24	$11.60	$20.48
9.0 %	11.38	12.89	22.75
8.0 %	12.80	14.50	25.59

Note: Per share benefit based on 44.4% minority holding of 1,056 million basic shares outstanding as of 31-Jul-2008. Synergies taxed at Francis tax rate of approximately 36.0%. EPS benefit to James based on 1.08 CHF : USD exchange rate and 862.6 million James shares outstanding. Percentage change to James EPS based on 2009E Wall Street EPS of CHF 13.22.

Goldman Sachs

Potential Tax Synergies Associated with Buyout
Overview

- There are several possible tax synergies that James could achieve following an acquisition for the Francis minority
  - — While it's difficult to evaluate the feasibility of various scenarios and even more difficult to quantify the value of such synergies, they should nevertheless be considered
  - — More due diligence into the current and future tax position of James and Francis would be required to estimate these synergies
- Some potential tax strategies that could be considered in connection with buyout include:
  - — Financing acquisition with loan from James (Swiss parent) to its U.S. holding company to create interest deductions in the U.S.
  - — Marginal benefits of achieving tax consolidation between James' U.S. holding company and Francis
  - — Ability to migrate some of Francis' future intellectual property development outside the U.S. into a lower taxed jurisdiction
  - — Migrating some manufacturing operations outside of the U.S. to lower taxed jurisdictions
  - — Other global tax planning strategies to reduce income allocated to other high-taxed jurisdictions
- Potential synergies exist because some of these strategies cannot be achieved with public minority
  - — As wholly-owned subsidiary of James, Francis has more flexibility to pursue internal restructuring transactions with less concern about such transactions meeting arm's-length standard from standpoint of public minority

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Illustrative Benefits Related to Inter-Company Loan

Potential Inter-Company Loan Benefit

- James Swiss parent raises debt in non-U.S. jurisdictions
- James parent loans proceeds to its U.S. subsidiary at an arm's-length rate (e.g., 8%) to fund the buyout consideration (the "inter-company loan")
- The inter-company loan creates tax deductions in the U.S. which enhances after-tax cash flow from Francis' operations
  - Interest on inter-company loan is generally deductible for U.S. tax purposes provided aggregate interest expense does not exceed 50% of taxable EBITDA
  - Interest payments should not be subject to U.S. withholding tax under U.S.-Swiss tax treaty
- Need to determine whether and at what rate the interest income would be taxable in Switzerland
  - Generally, Swiss companies would be subject to tax on interest income at 25% tax rate, although there may be structures to reduce tax liability in Switzerland
- Illustrative tax shield assuming $45 billion in new debt:
  - ($45bn debt * 8% interest rate * 39% marginal tax rate) = $1,404mm annual benefit
  - If Swiss tax rate on interest income is 25%, net tax savings of $504mm; net benefit even greater if interest income is subject to even lower tax rate in Switzerland

NPV Benefit of Inter-Company Loan at Various Swiss Tax Rates

Swiss Tax Rate	Inter-Company Loan Amount ($bn) $35.0	$40.0	$45.0	$50.0	$55.0
25 %	$4.4	$5.0	$5.6	$6.2	$6.8
20 %	5.9	6.8	7.6	8.4	9.3
15 %	7.5	8.5	9.6	10.7	11.7
10 %	9.0	10.3	11.6	12.9	14.2
5 %	10.6	12.1	13.6	15.1	16.6
0 %	12.1	13.9	15.6	17.3	19.1

NPV Benefit of Inter-Company Loan Per Minority Share at Various Swiss Tax Rates

Swiss Tax Rate	Inter-Company Loan Amount ($bn) $35.0	$40.0	$45.0	$50.0	$55.0
25 %	$9.29	$10.62	$11.95	$13.28	$14.60
20 %	12.61	14.41	16.21	18.02	19.82
15 %	15.93	18.21	20.48	22.76	25.03
10 %	19.25	22.00	24.75	27.50	30.25
5 %	22.57	25.79	29.02	32.24	35.46
0 %	25.89	29.58	33.28	36.98	40.68

Note: Per share benefit to minority holders based on 44.4% minority holding of 1,055,649,792 basic shares outstanding as of 31-Jul-2008. Assumes 9.0% cost of capital. Assumes James will not pay down transaction debt and U.S. marginal tax rate of 39%. EPS benefit to James based on 1.08 CHF : USD exchange rate and 862.6 million James shares outstanding

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Additional Sources of Transaction Value

Potential Tax Benefits Related to Longer-Term Tax Offshoring

- Over time James may be able to offshore Francis IP to achieve a lower overall tax rate
  - Immediate movement of IP offshore would generate a large one-time tax bill
- In addition, due to global operations, James may be able to accelerate and/or maintain offshore manufacturing tax benefits for a longer period
- The long term benefit of a tax rate that approximates James' current tax rate could contribute significant long-term value
- The table below shows the net value that could be created by trending to a 26% terminal year tax rate vs. a 31% tax rate

Present Value of Longer-term Tax Offshoring Per Minority Share

		Perpetuity Growth Rate				
		2.0%	2.5%	3.0%	3.5%	4.0%
Cost of Capital	10.0 %	$4.83	$5.23	$5.69	$6.23	$6.85
	9.5 %	5.71	6.21	6.78	7.44	8.23
	9.0 %	6.76	7.37	8.09	8.93	9.94
	8.5 %	8.01	8.78	9.68	10.77	12.09
	8.0 %	9.53	10.50	11.66	13.08	14.86

Note: Per share benefit to minority holders based on 44.4% minority holding of 1,055,649,792 basic shares outstanding as of 31-Jul-2008. Assumes James will not pay down transaction debt. Potential tax withholding related to interest income to parent entity is not included in analysis.

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Analysis at Various Prices

($ in millions, except per share data)

Price Per Share		**$89.00**	**$95.00**	**$100.00**	**$105.00**	**$110.00**	**$115.00**	**$120.00**	**$125.00**	**$130.00**
Total Equity Consideration - Diluted		$96,088	$102,897	$108,574	$114,252	$119,929	$125,606	$131,284	$136,961	$142,638
Net Debt (as of 30-Jun-2008)		(3,862)	(3,862)	(3,862)	(3,862)	(3,862)	(3,862)	(3,862)	(3,862)	(3,862)
Enterprise Value		$92,226	$99,035	$104,712	$110,390	$116,067	$121,744	$127,422	$133,099	$138,776
Premium / (Discount) to Stock Price										
Current (as of 08-Aug-2008)	$96.95	(8.2)%	(2.0)%	3.1 %	8.3 %	13.5 %	18.6 %	23.8 %	28.9 %	34.1 %
18-Jul-2008 Close Price	81.82	8.8	16.1	22.2	28.3	34.4	40.6	46.7	52.8	58.9
1 Day Prior	81.16	9.7	17.1	23.2	29.4	35.5	41.7	47.9	54.0	60.2
30-Day Average	75.96	17.2	25.1	31.7	38.2	44.8	51.4	58.0	64.6	71.2
6-Month Average	74.05	20.2	28.3	35.0	41.8	48.5	55.3	62.0	68.8	75.6
Revenue										
LTM	$12,176	7.6 x	8.1 x	8.6 x	9.1 x	9.5 x	10.0 x	10.5 x	10.9 x	11.4 x
2008E	13,276	6.9	7.5	7.9	8.3	8.7	9.2	9.6	10.0	10.5
2009E	14,239	6.5	7.0	7.4	7.8	8.2	8.5	8.9	9.3	9.7
2010E	15,708	5.9	6.3	6.7	7.0	7.4	7.8	8.1	8.5	8.8
2011E	17,439	5.3	5.7	6.0	6.3	6.7	7.0	7.3	7.6	8.0
EBITDA										
LTM	$5,580	16.5 x	17.7 x	18.8 x	19.8 x	20.8 x	21.8 x	22.8 x	23.9 x	24.9 x
2008E	6,156	15.0	16.1	17.0	17.9	18.9	19.8	20.7	21.6	22.5
2009E	6,996	13.2	14.2	15.0	15.8	16.6	17.4	18.2	19.0	19.8
2010E	7,884	11.7	12.6	13.3	14.0	14.7	15.4	16.2	16.9	17.6
2011E	9,083	10.2	10.9	11.5	12.2	12.8	13.4	14.0	14.7	15.3
EPS										
LTM	$2.99	29.8 x	31.8 x	33.5 x	35.2 x	36.8 x	38.5 x	40.2 x	41.9 x	43.5 x
2008E	3.43	25.9	27.7	29.2	30.6	32.1	33.5	35.0	36.4	37.9
2009E	4.01	22.2	23.7	24.9	26.2	27.4	28.7	29.9	31.1	32.4
2010E	4.91	18.1	19.3	20.4	21.4	22.4	23.4	24.4	25.4	26.5
2011E	6.20	14.4	15.3	16.1	16.9	17.8	18.6	19.4	20.2	21.0

Source: Francis management projections and public company filings

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Comparison of Selected Transactions

($ in millions)

Date Announced	Acquiror	Target	Equity Consideration ($ mm) (a)	Enterprise Consideration ($ mm) (a)	LTM Sales Multiple	Premium to 1 Day prior Price (%)	Premium to 1 Month prior Price (%) (b)
31-Jul-2008	Bristol-Myers Squibb	Imclone Systems	$ 5,192	$ 4,857	7.7x	29.2 %	49.7 %
10-Apr-2008	Takeda	Millennium	8,831	7,936	15.0	52.9	93.1
29-Nov-2007	Eisai	MGI Pharma	3,898	3,734	10.1	38.7	25.8
18-Nov-2007	Celgene	Pharmion	2,839	2,590	9.7	46.1	53.5
23-Apr-2007	AstraZeneca	MedImmune	15,560	15,219	11.9	20.8	70.0
20-Feb-2007	Shire	New River	2,660	2,498	NM	9.7	15.4
30-Oct-2006	Merck	Sirna Therapeutics	1,132	1,090	NM	100.2	135.5
17-Oct-2006	Eli Lilly	ICOS	2,140	2,303	NM	18.0	25.4
02-Oct-2006	Gilead	Myogen	2,473	2,315	NM	49.7	50.0
21-Sep-2006	Merck KGaA	Serono	13,504	12,316	5.8	20.2	30.5
15-May-2006	AstraZeneca	Technology	1,364	1,070	2.7	66.9	71.4
14-Dec-2005	Amgen	Abgenix	2,660	2,580	NM	53.6	67.7
01-Sep-2005	Novartis (c)	Chiron	5,085	5,162	2.9	23.5	23.3
07-Sep-2005	GlaxoSmithKline	ID Biomedical	1,447	1,504	NM	13.5	46.6
16-Jun-2005	Pfizer	Vicuron	1,916	1,789	NM	84.2	67.3
21-Apr-2005	Shire	Transkaryotic Therapies	1,575	1,445	18.7	21.6	58.5
18-May-2004	UCB	Celltech	2,708	2,445	4.2	28.0	19.0
29-Mar-2004	Amgen (d)	Tularik	1,450	1,291	NM	47.1	33.0
26-Feb-2004	Genzyme	ILEX Oncology	1,048	947	27.2	25.0	10.5
21-Jul-1999	Johnson & Johnson	Centocor	4,861	5,349	13.1	23.2	24.8
		High	**$ 15,560**	**$ 15,219**	**27.2 x**	**100.2 %**	**135.5 %**
		Mean	**4,117**	**3,922**	**10.8**	**38.6**	**48.6**
		Median	**2,660**	**2,471**	**9.9**	**28.6**	**48.2**
		Low	**1,048**	**947**	**2.7**	**9.7**	**10.5**

Source: FactSet, public filings and press releases
Note: Highlighted deals denote pre-existing ownership and/or major product collaboration between target and acquiror prior to acquisition.
(a) Foreign company valuations converted to $US using the applicable exchange rate on date of announcement.
(b) Based on closing price twenty trading days prior to announcement.
(c) Novartis acquired the remaining 113mm shares which it did not already own in Chiron for $45 in cash per share. Premiums based on unaffected stock prices.
(d) Amgen acquired the remaining 78.7% interest or 52.7mm shares which it did not already own in Tularik for $25 in common stock per share.

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Comparison of Selected Minority Buyout Transactions

($ in millions)

Date Effective	Target Name	Acquiror Name	% Owned Prior to Transaction	Date Announced	Value ($MM)	Stock Price 1 Day Prior to Announcement	Initial Bid per Share	No of bumps	Final Bid per Share	Initial Premium Over Market Price	Final Premium Over Market Price	% Increase in Offer	Majority of Minority Clause?	Tender Offer vs. Merger
Greater Than 50% Owned Prior to Transaction														
Pending	Alfa Corp	Investor Group	52.7	17-Jul-2007	2,065	15.20	17.60	1	22.00	15.8 %	44.7 %	25.0 %	N	M
Pending	Nationwide Finl Svcs Inc	Nationwide Mutual Insurance C	64.3	10-Mar-2008	8,376	37.93	47.20	0	47.20	24.4	24.4	0.0	N/A	N/A
Dec-07	Tribune Co	Sam Zell	52.5	02-Apr-2007	13,117	32.11	34.00	0	34.00	5.9	5.9	0.0	N	M
Sep-07	Great American Finl Res	American Financial Group	75.7	22-Feb-2007	1,199	21.64	23.50	1	24.50	8.6	13.2	4.3	N	M
Apr-07	TD Banknorth Inc	Toronto-Dominion Bank	54.8	20-Nov-2006	3,232	30.25	32.33	0	32.33	6.9	6.5	0.0	N	M
Nov-05	7-Eleven Inc	IYG Holding Co	69.7	01-Sep-2005	1,301	28.34	32.50	1	37.50	14.7	32.3	15.4	Y	T
Jun-05	UGC Holdings	Liberty Media	52.2	18-Jan-2005	11,499	9.64	9.58	0	9.58	(0.6)	(0.6)	0.0	Y	M
Mar-05	Fox Entertainment	News Corp Inc	76.6	10-Jan-2005	7,183	31.22	33.54	1	35.31	7.4	13.1	5.3	Y	T
Dec-04	Cox Communications	Cox Enterprises Inc	61.4	02-Aug-2004	8,389	27.58	32.00	1	34.75	16.0	26.0	8.6	Y	T
Jun-03	Hotels.com	USA Interactive	62.3	10-Apr-2003	1,237	53.30	60.24	0	60.24	13.0	13.0	0.0	N	T
Jan-03	Ticketmaster	USA Interactive	63.2	31-May-2002	2,027	21.50	22.99	1	15.85	6.9	(26.3)	(31.1)	N	T
Mar-02	Intimate Brands Inc	Limited Inc	81.8	04-Feb-2002	1,644	17.90	19.30	1	19.72	7.8	10.2	2.2	N	T
Sep-01	Westfield America Inc	Westfield America Trust	55.9	15-Feb-2001	1,050	14.45	16.25	0	16.25	12.5	12.5	0.0	N	M
Jul-01	BHC Communications	News Corp Inc	76.1	14-Aug-2000	2,403	141.75	165.00	0	165.00	16.4	16.4	0.0	N	M
Feb-01	Infinity Broadcasting	Viacom Inc	62.4	15-Aug-2000	13,649	35.25	40.04	1	32.89	13.6	(6.7)	(17.9)	Y	M
Jan-01	AXA Financial Inc	AXA Group	54.7	30-Aug-2000	11,189	52.25	53.50	1	54.63	2.4	4.6	2.1	N	T
Sep-00	Vastar Resources Inc	BP Amoco PLC	80.1	17-Mar-2000	1,575	71.44	71.00	1	83.00	(0.6)	16.2	16.9	Y	T
Sep-00	CareInsite Inc	Healtheon/WebMD Inc	64.9	14-Feb-2000	1,883	67.88	71.50	0	71.50	5.3	5.3	0.0	N	M
Jun-00	Hartford Life	Hartford Fin Svcs Group	80.4	27-Mar-2000	1,324	42.56	44.00	1	50.50	3.4	18.6	14.8	N	T
Jun-00	IXnet Inc	Global Crossing	72.4	22-Feb-2000	3,193	52.50	62.01	0	62.01	18.1	18.1	0.0	N	M
Apr-00	Travelers Property Casualty	Citigroup	85.0	21-Mar-2000	17,940	33.69	41.50	1	41.95	23.2	24.5	1.1	N	T
	High									24.4 %	44.7 %	25.0 %		
	Mean									10.5	13.0	2.2		
	Median									8.6	13.1	0.0		
	Low									(0.6)	(26.3)	(31.1)		
Less Than 50% Owned Prior to Transaction														
Jul-06	William Lyon Homes	General William Lyon	46.7	17-Mar-2006	1,221	75.70	93.00	2	109.00	22.9 %	44.0 %	17.2 %	Y	T
May-06	Lafarge North America	Lafarge SA	48.9	06-Feb-2006	3,227	64.25	75.00	2	85.50	16.7	33.1	14.0	Y	T
Apr-06	Chiron Corp	Novartis AG	42.5	01-Sep-2005	6,625	36.44	40.00	2	48.00	9.8	31.7	20.0	Y	M
Aug-03	Expedia	USA Interactive	46.5	31-May-2002	6,745	37.83	38.43	1	51.36	1.6	35.8	33.6	N	M
Dec-01	BancWest Corp.	BNP Paribas	43.5	07-May-2001	19,380	24.98	35.00	0	35.00	40.1	40.1	0.0	N	M
Jun-01	Sodexho Marriott Services	Sodexho Alliance SA	42.9	25-Jan-2001	2,998	24.88	27.00	1	32.00	8.5	28.6	18.5	N	T
Apr-01	Delhaize America	Etablissements Delhaize Frere	41.3	07-Sep-2000	6,873	15.94	18.71	1	18.42	17.4	15.6	(1.5)	N	T
	High									40.1 %	44.0 %	33.6 %		
	Mean									16.7	32.7	14.5		
	Median									16.7	33.1	17.2		
	Low									1.6	15.6	(1.5)		

Source: SDC, company filings and other publicly available information

Cross Ownership
Francis and James

Francis

Rank	Investor Name	Position	% O/S
1	Fidelity Mgmt. & Research	44,589,431	4.22
2	Marsico Capital	28,248,512	2.68
3	Capital Guardian Trust	20,563,293	1.95
4	T. Rowe Price	17,784,494	1.68
5	Capital Research & Mgmt.	17,500,000	1.66
6	AllianceBerstein	16,030,000	1.52
7	Wellington Mgmt.	15,892,746	1.51
8	Barclays Global	15,306,210	1.45
9	Jennison Associates	10,821,503	1.03
10	ClearBridge Advisors	9,981,191	0.95
11	Vanguard Group	9,056,406	0.86
12	Delaware Inv. Advisors	8,647,746	0.82
13	TIAA-CREF Asset Mgmt.	7,342,446	0.70
14	Sands Capital Mgmt.	7,071,391	0.67
15	Janus Capital Mgmt.	6,755,964	0.64
16	State Street Global Advisors	6,431,203	0.61
17	TCW Asset Mgmt.	5,343,048	0.51
18	Goldman Sachs Asset Mgmt.	4,844,682	0.46
19	Victory Capital Mgmt.	4,350,299	0.41
20	CalPERS	4,116,863	0.39
21	Credit Suisse Asset Mgmt.	4,095,333	0.39
22	Walter Scott & Partners	3,951,407	0.37
23	GE Asset Management	3,788,047	0.36
24	Thornburg Investment Mgmt.	3,447,184	0.33
25	Bellevue Asset Mgmt.	3,192,536	0.30
	Top 25 Shareholders	279,151,935	26.47
	% James Owned by Francis Shareholders		15.93

James

Rank	Investor Name	Position	% O/S
1	Capital Research Global Investors	39,455,934	5.62
2	Capital World Investors	35,448,720	5.05
3	UBS Global Asset Management	10,081,923	1.44
4	Fidelity Management & Research	9,875,416	1.41
5	Fidelity International Limited	7,619,891	1.08
6	MFS Investment Management	6,317,050	0.90
7	Norges Bank	6,063,122	0.86
8	Wellington Management Company, LLP	5,618,392	0.80
9	Janus Capital Management LLC	5,606,545	0.80
10	Thornburg Investment Management, Inc.	4,557,902	0.65
11	PRIMECAP Management Company	4,286,500	0.61
12	Credit Suisse Asset Management	4,143,527	0.59
13	OppenheimerFunds, Inc.	4,103,719	0.58
14	Allianz Global Investors	3,681,678	0.52
15	Barclays Global Investors, N.A.	3,340,461	0.48
16	Schroder Investment Management Ltd.	3,260,764	0.46
17	Vanguard Group, Inc.	2,988,639	0.43
18	Pictet Asset Management Ltd.	2,937,432	0.42
19	Pioneer Investment Management Ltd.	2,900,784	0.41
20	Artisan Partners Limited Partnership	2,709,550	0.39
21	T. Rowe Price Associates, Inc.	2,566,268	0.37
22	Swisscanto Asset Management AG	2,357,348	0.34
23	AllianceBernstein L.P.	2,251,869	0.32
24	William Blair & Company, L.L.C.	2,108,543	0.30
25	Northern Cross Investments Limited	2,080,510	0.30
	Top 25 Shareholders	176,362,487	25.13
	% Francis owned by James Shareholders		13.87

Source: Thomson Research as of latest filings (James data) and Management as of 07-Aug-2008 (Francis data)

VI. Key Considerations and Next Steps

Discussion Topics for Tactics and Next Steps

- Response to the Proposal
- Timing considerations
- Communication themes
- Interaction with investors
- Other tactics
- Drafting of the Press Release

Appendix A: Weighted Average Cost of Capital Analysis

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Weighted Average Cost of Capital Analysis

As of 08-Aug-2008

Selected Comparables

Company	Net Debt (1)	Market Equity	Predicted Equity Beta (2)	Adjusted Asset Beta
Francis	-	$105,658	0.63	0.63
Amgen	$2,530	67,437	0.69	0.67
Biogen Idec	-	14,484	0.90	0.90
Celgene	-	34,185	0.97	0.97
Gilead	-	52,369	1.06	1.06
Genzyme	-	21,070	0.81	0.81
Mean			0.89	0.88
Median			0.90	0.90

WACC Calculation

Risk Free Rate (3)	4.6%
Median Comparables Asset Beta	0.90
Francis Total Debt/Market Equity (4)	2.3%
Assumed Tax Rate (5)	36%
Predicted Equity Beta	0.90
Equity Risk Premium (6)	5.1%
Cost of Equity	9.2%
Cost of Debt	5.0%
After-Tax Cost of Debt	3.2%
WACC	9.0%

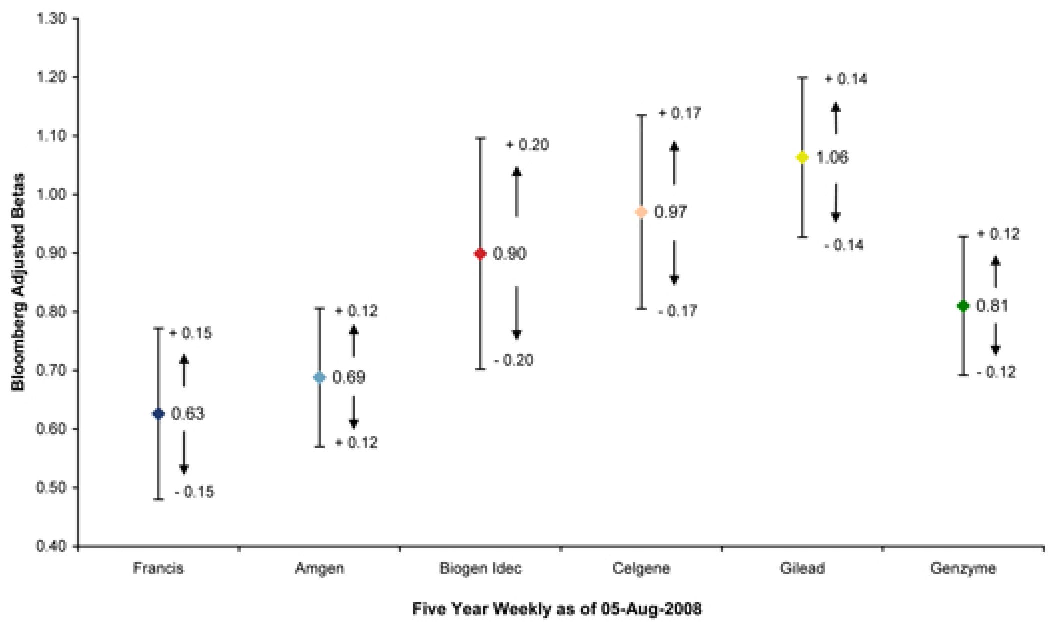
WACC Sensitivity Table

Equity Beta	Equity Risk Premium (%) 4.6%	4.8%	5.1%	5.3%	5.6%
0.60	7.3%	7.4%	7.5%	7.7%	7.8%
0.73	7.8%	8.0%	8.2%	8.3%	8.5%
0.85	8.4%	8.6%	8.8%	9.0%	9.2%
0.98	8.9%	9.2%	9.4%	9.6%	9.9%
1.10	9.5%	9.8%	10.0%	10.3%	10.6%

Source: Company filings, Ibbotson, and Bloomberg
(1) For levering and re-levering beta, assumed to be zero if net debt is negative.
(2) Bloomberg 5 year weekly predicted betas.
(3) Yield on thirty-year 5 1/4% U.S. Treasury due 2028 as of 08-Aug-2008.
(4) Francis Total Debt/Market Equity as of 30-Jun-2008, fully diluted Market Cap as of 08-Aug-2008.
(5) Assumed tax rate per Francis' management.
(6) U.S. Equity Risk Premium as of year-end 2007 per Ibbotson data.

Bloomberg Adjusted Betas

Five Year Weekly



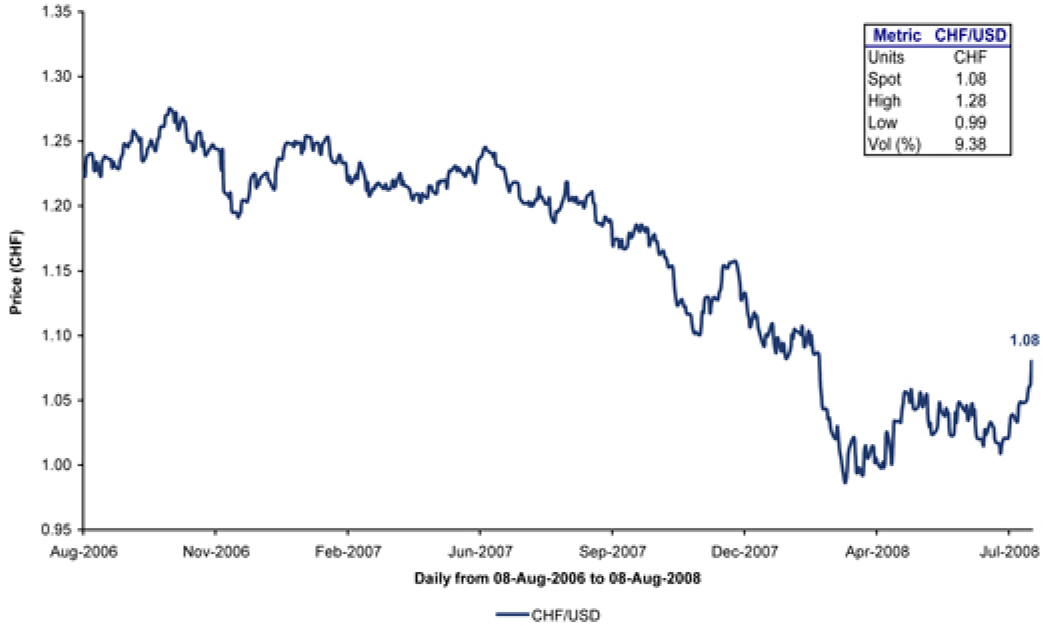
Source: Bloomberg as of 05-Aug-2008

Appendix B: Outlook for CHF / USD

Swiss Exchange Rate

CHF / USD

Last Two Years



Source: FactSet as of 08-Aug-2008

Review of Swiss Franc Forecasts

	CHF / $		
	3 Months	6 Months	12 Months
GS Forecast (July 2008)	1.03	1.00	1.12

	CHF / $			Change Since				
	CHF / $	+/-	%	7/18/2008	1 Week	1 Month	3 Month	YTD
Spot Rate (08-Aug-2008)	1.0823	0.0198	1.86 %	5.82 %	3.12 %	4.70 %	2.97 %	(3.32)%

- Risk aversion in the Swiss equity market and strong Swiss growth are likely to support the CHF.
- Swiss National Bank maintained rates at 2.75%
  - Near term inflation expectations were revised up while medium-term inflation forecast was revised down
  - GS expects rates to hold constant going forward

Source: Bloomberg and GS Forecast as of 08-Aug-2008

Appendix C: Precedent Case Studies

Goldman Sachs

APP Pharmaceuticals' Sale to Fresenius

Goldman Sachs Acted as Financial Advisor to APP Pharmaceuticals

Announced on 07-Jul-2008

APP

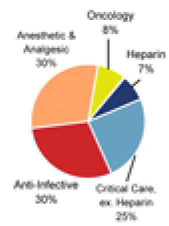
FRESENIUS

Transaction Highlights

- On 07-Jul-2008, APP Pharmaceuticals and Fresenius announced a definitive agreement for Fresenius to acquire APP
- Fresenius will acquire the outstanding common stock of APP in a transaction valued at up to $5.6bn, consisting of:
  - — $23.00 in cash per share
  - — Up to $6.00 per share in Contingent Value Rights (CVR) if the Company meets certain EBITDA targets over 2008-2010
  - — Assumption of approximately $1.0bn in outstanding debt
- Fresenius plans to maintain APP as its North American headquarters for its infusion therapies and nutrition business
- Dr. Patrick Soon-Shiong, current APP Chairman and majority owner, will join the Board of the new subsidiary
- Goldman Sachs and Lazard Frères advised APP; Deutsche Bank advised Fresenius

Overview of APP Pharmaceuticals

2007A Revenue



- APP is the largest North American pure-play hospital-based generic injectables company
  - — Products across the following four therapeutic categories
  - — Received over 80 cumulative ANDA approvals
  - — Numerous product candidates under development
- Maintains strong relationships with the largest GPOs in the US
- APP has become a critical worldwide supplier of heparin, a blood thinner necessary in many surgeries, blood transfusions and dialysis procedures, following a Q1 2008 recall by the major supplier due to contamination
- Based in Schaumburg, IL with ~1,400 employees

Transaction Statistics

		Upfront Cash	Including CVR[1]
	Equity Value per Share	$ 23.00	$ 29.00
	% Premium to 03-Jul ($17.82)	29.1%	62.7%
	% Premium to 1 Month Avg ($14.20)	61.9%	104.2%
	Equity Value	$ 3,723	$ 3,723
	Net Debt	938	938
	Max. CVR Payout	-	971
	Enterprise Value	4,661	5,633
Multiple	LTM Revenue (31-Mar)	7.1 x	8.6 x
Multiple	LTM EBITDA (31-Mar)	18.2	22.0

Strategic Rationale

- Strengthens Fresenius' intravenous drug business
  - — Broadens Fresenius' injectible portfolio into complimentary therapeutic areas
  - — Enhances Fresenius' vertical integration in the generic injectible market
- Provides entry and platform to Fresenius in the strategically important US market
- Utilizes Fresenius' international sales and marketing organization to commercialize APP's products outside the US

Source: Public filings, press release

[1] *The CVR payment is expected to occur on 30-Jun-2011 and will be freely tradeable on an established exchange in the intervening period.*

Novartis Acquires 77% Stake in Alcon from Nestlé

Goldman Sachs Acted As Exclusive Financial Advisor to Novartis

Transaction Overview

- On 07-Apr-2008, Novartis and Nestlé announced a two-step agreement regarding Nestlé's 77% stake in Alcon, the world's largest eye care company
- **Step 1:** Novartis acquires a 25% stake in Alcon from Nestlé for $143.18 per share (3 months volume weighted average price), or c. $11bn in total
- **Optional Step 2:**
  - Novartis has the right to call Nestlé's remaining 52% stake in Alcon for a fixed price of $181 per share, or c. $28bn in total
  - Nestlé has the right to put its remaining 52% stake in Alcon to Novartis at a premium of 20.5% to Alcon's share price at the time of exercise, but not higher than $181 per share
  - Either option can be exercised between 1-Jan-2010 and 31-Jul-2011
- Following completion of Step 1, Novartis will have a representative on Alcon's Board of Directors
- Alcon and Novartis will remain separate and independent companies
- No obligation of Novartis to buy out Alcon's free float shareholders

Overview of Alcon

- Alcon is the world's largest eye care company
- It operates through three product categories: Surgical (medical devices and products for ophthalmic surgery); Pharmaceuticals (medicines for eye diseases and conditions); and Consumer (contact lens care, OTC dry eye drops, ocular vitamins)
- Broad geographical presence, with more than 52% of 2007 sales generated outside the U.S. and strong emerging markets growth
- Revenues totalled $5.6bn in 2007 and translated into $1.9bn operating income (33.6% margin)
  - Since its IPO in 2002, Alcon has increased revenues by 13% p.a. and operating income by 22% p.a.
- Alcon was acquired by Nestlé in 1978; a minority position was listed on the NYSE in 2002, Nestlé keeping a 77% majority stake to date

Transaction Rationale

- Unique opportunity to acquire world leader in a rapidly growing market segment
  - Clear No. 1 in eye care
  - Eye care one of the fastest growing specialty therapeutic segments
  - Growth drivers: Aging population, emerging markets and innovation
- Novartis and Alcon: Complementary eye care businesses
  - Geographic strengths
  - Portfolios for front-of-the-eye and back-of-the-eye diseases
  - Manufacturing and distribution skills
  - Potential for eventual cost synergies

Deal Statistics

	Price / Share	Value	P/E[1]	Premium[2]
Step 1	$143.18	$11bn	22.8x ('08)	(3.5)%
Step 2	Up to $181	Up to $28bn	Up to 22.6x ('10)	NA

Alcon Share Price Development from IPO to Announcement

[1] *Based on IBES EPS forecast for Alcon of $6.29 for 2008 and $8.01 for 2010.*
[2] *Premium calculated based on closing price of $148.44 as of 04-Apr-2008 (Source: Bloomberg)*
Source: Company Filings, Press Release, Bloomberg

Goldman Sachs

Ventana's Sale to James

Goldman Sachs Acted as Advisor to Ventana

21-Jan-2008

Roche

VENTANA MEDICAL SYSTEMS, INC

Situation Overview

1	25-Jun-2007	James announces a hostile bid at $75 per share
2	26-Jun-2007	James commences tender offer; Ventana Board recommends shareholders defer action on tender offer
3	20-Jul-2007	Ventana announces 2Q earnings and provides initial guidance for 2008 and 2009. The Company also provides a detailed strategic plan indicating a strong case for higher value, raising 2008 EPS guidance by 29%
4	17-Aug-2007	Ventana resolves Danaher and Cytologix litigation
5	05-Sep-2007	Ventana announces its acquisition of Spring Bioscience and raises guidance by $0.05 and $0.09 for 2008 and 2009, respectively
6	13-Nov-2007	Ventana enters into confidentiality agreement with James to allow due diligence
7	05-Dec-2007	James announces its intention to seek election of directors to Ventana's Board of Directors and to make certain other proposals at the 2008 annual meeting of stockholders
8	21-Jan-2008	Ventana and James reach definitive agreement in which James will pay $89.50 per share in cash for all the outstanding shares of Ventana for a total transaction value of $3.4 billion.

Strategic Rationale

- Enhances James' position as the world's leading, fully-integrated, personalized healthcare company
  - Ventana broadens James' diagnostic offerings and enhances James' world leadership in *in vitro* diagnostic systems and oncology medicine
  - James' strong oncology drug portfolio, combined with full diagnostics capabilities uniquely positions James to lead in personalized medicine
- Unique strategic fit with James Diagnostic provides significant opportunities for further value creation
  - Ventana's tissue-based diagnostic technologies complement James' serum-based screening tools, creating a continuum of care in the diagnostic process
  - Histopathology market is ~$1bn, growing to an estimated $1.6bn market in 2011
  - Need for test automation and increasing demand for cancer therapies requiring companion diagnostics

Overview of Ventana

- Ventana develops instrument/reagent systems that automate slide preparation and staining in clinical histology and drug discovery laboratories
  - Tissue processing, primary staining, Advanced staining, and automated image analysis
  - Products used to accelerate the discovery of new drug targets and evaluate the safety of new drug compounds.
- Leader in tissue-based diagnostics, with a large installed base in pathology labs and strong U.S. presence

Transaction Statistics

Price Per Share:	$89.50	
Equity Consideration:	$3.4bn	
Premium to Initial Offer:	19%	
	Final Offer ($89.50)	**Initial Offer ($75.00)**
Premium to:[1]		
Day (25-Jun-2007)	73.0 %	45.0 %
Month Avg.	71.5	43.7
Year Avg.	102.3	69.5
Multiple to:[2]		
2008 EBITDA	25.6 x	21.3 x
2009 EBITDA	18.7	15.5
2008 EPS	45.8	38.4
2009 EPS	32.3	27.0

[1] *Premiums calculated with reference to undisturbed stock price as of 25-Jun-2007 ($51.74).*
[2] *Multiples based on Management projections of EBITDA and GAAP EPS.*

Novartis Acquires Chiron for $5.3bn

Goldman Sachs Acted As Exclusive Financial Advisor to Novartis

03-Apr-2006

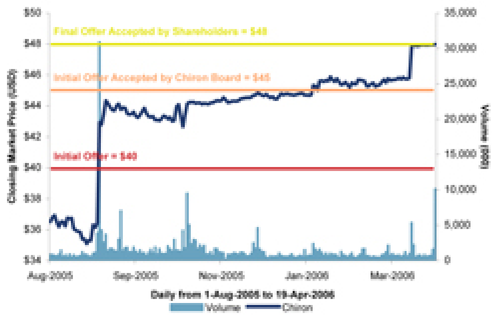
Business Description

- Diverse biotechnology company with three key businesses
  - Vaccines (2005A Sales: $602)
  - Blood Testing (2005A Sales: $556)
  - Biopharmaceuticals (2005A Sales: $629)
- Founded in 1981, Chiron was one of the first companies to sequence HIV and HCV
  - Technology led to development of its blood screening business and subsequent work on HBV led to development of vaccines businesses
- Entered drug discovery business in 1991 with acquisition of Cetus and subsequent acquisitions of Pathogenesis (2000) and Matrix (2002)
- Expanded vaccines business via 2003 acquisition of PowderJect
- Headquartered in Emeryville, CA; 5,762 employees

Transaction Rationale

- Acquisition provides Novartis with attractive growth platforms in the dynamic vaccines market and in a rapidly growing molecular diagnostic business
- Biopharmaceutical activities to be integrated into the Novartis Pharma drugs business
- Annual cost synergies of $200 million within three years
- "Our plan is to turn around the Chiron vaccines business, which will require investments in R&D and manufacturing to increase quality and capacity, so that we can better meet customer demand and address public health needs. Together with the dynamically growing diagnostics business, vaccines will form a new division, while biopharmaceuticals will be integrated into the existing pharmaceuticals business of Novartis," ***Dr. Daniel Vasella, Chairman and CEO, Novartis AG***

Chiron's Share Price Reaction



Transaction Highlights

- In 1994, Novartis purchased 49.9% of Chiron for $1.7 billion
- On 01-Sep-2005, Novartis proposed a purchase of the remaining stake for $40 per share in cash or a 9.8% premium to the previous day's close
- On 31-Oct-2005, Novartis increased its offer to $45 per share or approximately $5.1 billion in cash
  - Represented a 23% premium over the unaffected price of $36.44, Chiron's share price on the last trading day (31-Aug-2005) before Novartis made its initial offer
- Between Dec-2005 and Jan-2006 Chiron's largest shareholders (excluding Novartis) CAM North America and ValueAct announced they would vote against the transaction
- On 29-Mar-2006, ISS recommended to vote against the merger
- On 03-Apr-2006, Novartis increased its offer to $48 per share and was subsequently approved by shareholders on 19-Apr-2006

Offer Price	$48.00
Premium to Unaffected Close ($36.44 on 31-Aug-2005)	31.7%
Consideration ($bn)	$5.3
LTM Revenue Multiple	2.9x

Goldman Sachs

Shire Pharmaceuticals Acquires TKT for $1.6bn

Goldman Sachs Served as Exclusive Financial Advisor to Shire

21-April-2005

Shire TKT

Transkaryotic Therapies Business Overview

- TKT, based in Cambridge, MA, is a biopharmaceutical company focused on the development of pharmaceutical products for the treatment of rare diseases, particularly focused on enzyme replacement therapies
- Two approved products:
  - Replagal (fabry disease) – Marketed in 34 countries ex-U.S.
  - Dynepo (kidney disease associated anemia) – European launch 1H 2006
- Two late-stage clinical product candidates:
  - I2S (hunter disease) – Phase III, data expected June 2005
  - GA-GCB (gaucher disease) – Phase I/II, data expected 2H 2005
- Other expected near term milestones:
  - Dynepo Phase III Oncology data – 1H 2005
  - Replagal approval in Japan – End 2005

Transkaryotic Therapies' Key Products

- **Replagal**: An enzyme replacement therapy product currently approved and marketed to treat patients with Fabry disease in 34 countries outside the U.S., of which the majority are in Europe. Sales of REPLAGAL reached $77 million in 2004. Current market is estimated to be $190 million in Western Europe
- **Dynepo**: An erythropoietin used for the treatment of kidney disease-related anemia. Shire will gain the European rights and is well placed to leverage its existing Fosrenol® sales force in Europe to help Dynepo gain market share following its expected launch in Europe in 2006
- **I2S**: An enzyme replacement therapy currently in Phase III of development for the treatment of Hunter Syndrome. The product has gained fast track status in the U.S.. Assuming the results of the Phase III trial are positive, I2S is expected to launch in 2006. Shire estimates the market is approximately $300 million worldwide, of which U.S. and EU are of equal size at approximately 40% each
- **GA-GCB**: A glucocerebrosidase currently in Phase I/II of development for the treatment of Gaucher disease, which is anticipated to be introduced in 2008. The total worldwide estimated market at December 2004 was approximately $840 million

Transaction Rationale

- **Strong strategic and business fit**
  - Focus on specialist physicians
  - Leverages Shire's European and U.S. commercial infrastructure
  - Leverages Shire's experience in renal and hematology
  - Relatively low risk development pipeline: enzyme-related drugs have a high success rate in reaching the market
- **Adds two approved products, REPLAGAL and DYNEPO, and two late- stage clinical development products, Iduronate 2 sulfatase (I2S) and GA-GCB**
- **Attractive market dynamics**
  - Enzyme replacement therapy (ERT) market - orphan drug status available
  - Areas of high unmet medical need and limited number of competitors
- **Expected to significantly enhance Shire's medium and long-term product sales and earnings per share (EPS) growth**
- **TKT's capabilities and skill-sets expected to bring significant value to the combined organization**

Transaction Highlights

- On 21-April-2005, Shire signed a definitive agreement to acquire TKT in an all cash transaction valued at $37 per share or approximately $1.6bn
- Closing of the transaction is subject to Hart-Scott-Rodino clearance, approval of TKT's and Shire's shareholders and other customary conditions
- Warburg Pincus & Co. and certain of its affiliates, which together beneficially own approximately 14% of the outstanding shares of the common stock of TKT, have agreed, pursuant to a voting agreement with Shire, that they will vote all their shares in favor of the acquisition agreement

Offer Price	$37.00
Premium to Previous Close ($30.44)	21.6%
Premium to 1-Month Average Price ($25.77)	43.6%
Equity Consideration ($bn)	$1.6bn
Levered Consideration ($bn)	$1.4bn

Exhibit (c)(2)

Presentation to Special Committee of Francis

Goldman, Sachs & Co.
29-Sep-2008

Goldman Sachs

Table of Contents

I. Review of Selected Financial Analyses

Stock Price Performance History

Francis

Last Five Years

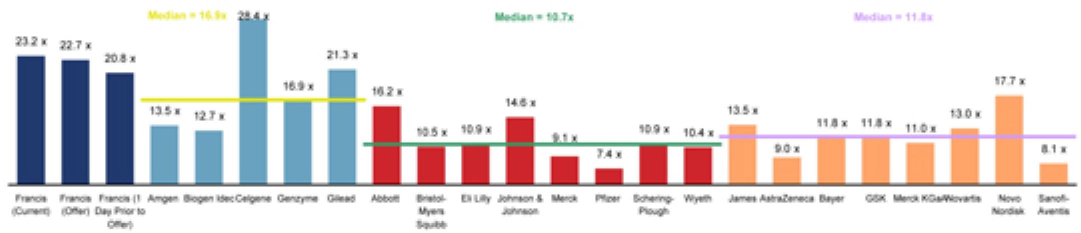
Source: FactSet as of 26-Sep-2008
Note: Large Cap Biotech includes Amgen, Biogen Idec, Celgene, Genzyme and Gilead. Selected Pharma includes Bristol-Myers Squibb, Merck, Novartis, Novo Nordisk and Schering-Plough

Goldman Sachs

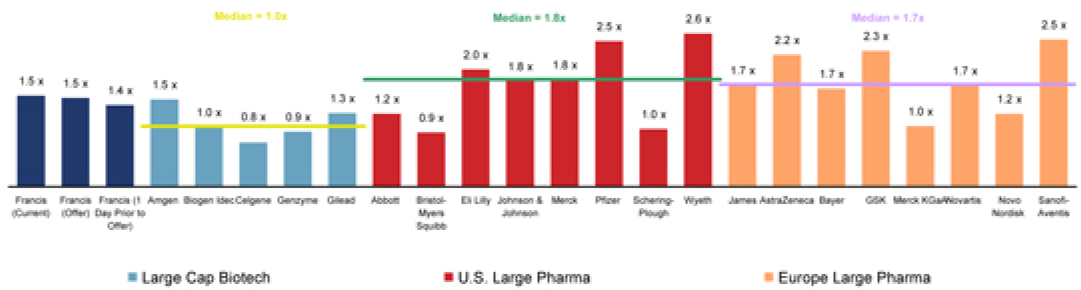
Comparison of Public Trading Multiples

Francis vs. Large Cap Biotech and Large Pharma

2009 P/E



2009 P/E/G



Source: IBES median estimates as of 26-Sep-2008

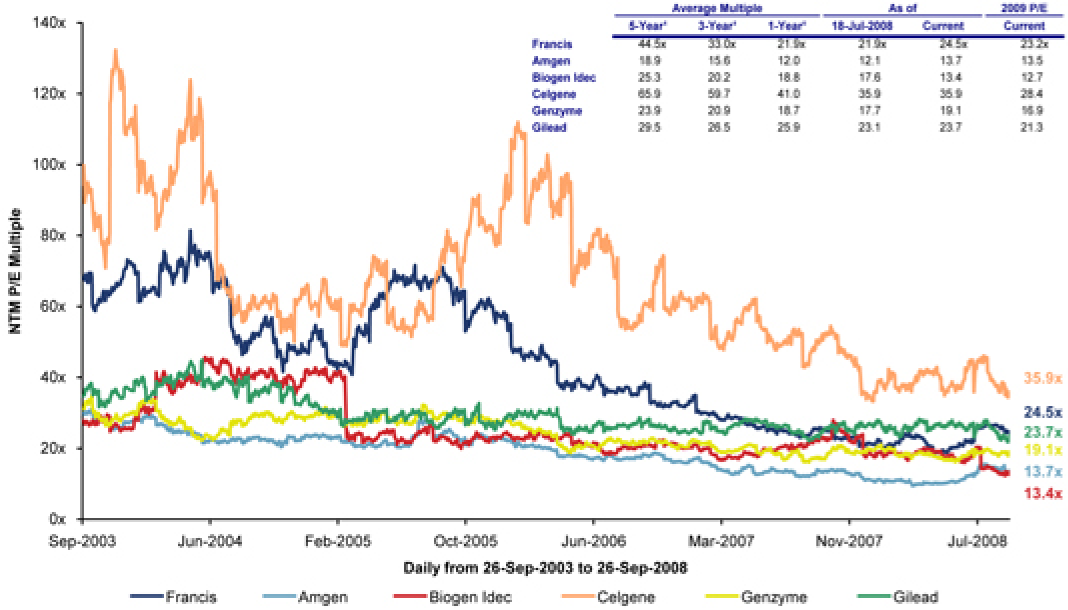
Goldman Sachs

Next Twelve Months P/E Multiples

Francis vs. Selected Comparables

Last Five Years

	Average Multiple			As of		2009 P/E
	5-Year[1]	3-Year[1]	1-Year[1]	18-Jul-2008	Current	Current
Francis	44.5x	33.0x	21.9x	21.9x	24.5x	23.2x
Amgen	18.9	15.6	12.0	12.1	13.7	13.5
Biogen Idec	25.3	20.2	18.8	17.6	13.4	12.7
Celgene	65.9	59.7	41.0	35.9	35.9	28.4
Genzyme	23.9	20.9	18.7	17.7	19.1	16.9
Gilead	29.5	26.5	25.9	23.1	23.7	21.3



Source: FactSet as of 26-Sep-2008
[1] *Average multiple excludes period after undisturbed date of 18-Jul-2008.*

A. Review of Discounted Cash Flow Analysis

Key Assumptions to Francis Management Projections

Near-term

- Avastin adjuvant CRC trial (C-08)
  - — Base case: 65% PTS in Q2 2009
  - — 100% Adjuvant case: 100% PTS for colon, breast and lung indications
  - — Upside case: Q4 '08 interim look is positive with positive PTS adjustments to other adjuvant trials
  - — Downside case: Q2 '09 trial end is negative with negative PTS adjustments to other adjuvant trials
- Price / reimbursement impacts
  - — Base case assumes 3% annual price increases
- 2015 James commercial agreement expiration
  - — Assumes status quo type of terms
  - — Management expects more favorable market terms than current (modeled separately)
- Tax rate assumptions
  - — Base case assumes off-shore manufacturing tax benefits trend tax-rate to approximately 30%
- FOB Assumptions
  - — Assumptions assume number of entrants, physician acceptance and price discounts by product
- Unnamed product PTS and market opportunity
  - — Assumes large and small molecule NMEs
  - — Launch to Filing PTS of 20% and 11%, respectively
  - — Market opportunity of $1bn per NME indication plus two line extensions
    - – Upside case of $2.3bn total market opportunity
    - – Downside case of $500mm total market opportunity

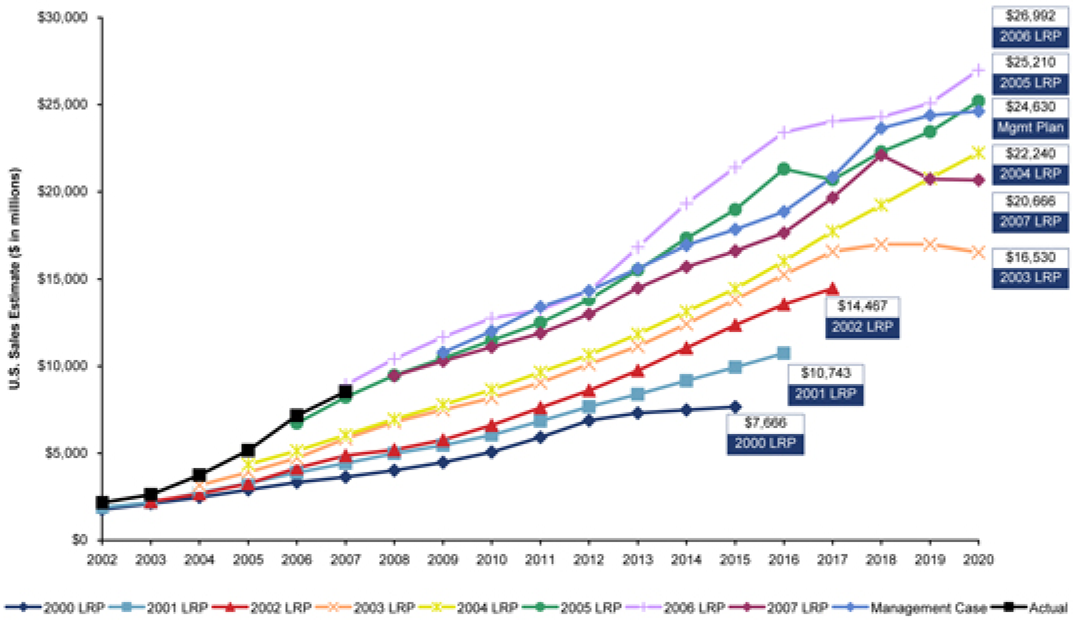
Long-term

Source: Francis management

Goldman Sachs

Review of Francis Annual Long Range Plan Estimates

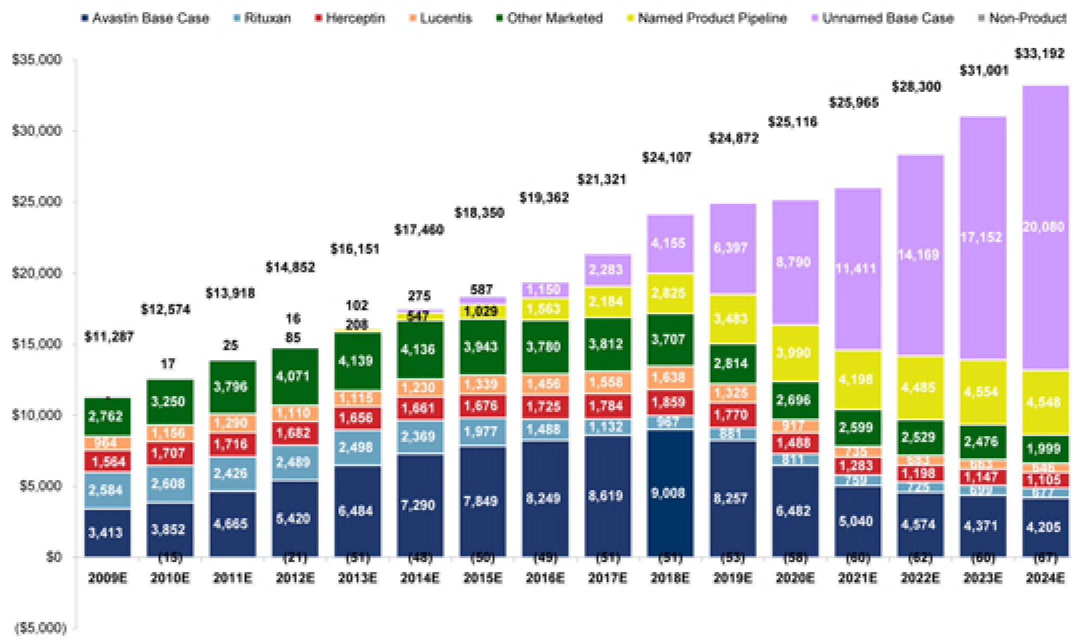
($ in millions)



Source: Francis management

Francis Forecasted Product Sales Breakdown

($ in millions)



Source: *Francis management projections*

Discounted Cash Flow Analysis of Francis
Key Assumptions

- Discounted Cash Flow analysis provides a framework to evaluate the ongoing performance of the business, but should be considered in a broader context of approaches (e.g., comparable transaction and trading multiples)
- Projections from 2009 to 2024 provided by Francis Management as of 01-Aug-2008 and 26-Sept-2008
  - Projections by product were provided for Avastin, Rituxan, Herceptin, Lucentis as well as for the pipeline
- Assumes 1,056mm basic shares outstanding, as of 07-Aug-2008
  - Current options outstanding included in share count by the treasury stock method
  - Options schedule provided by Francis management as of 07-Aug-2008
- Financial Sensitivity Analysis:
  - Discount rates evaluated using a range of 8.0% - 10.0% based on WACC analysis
  - Terminal value evaluated using perpetuity growth rate method using a range of 2.0% - 4.0%
    - Implied P/E terminal multiple also evaluated
- Total debt of $2,475mm as of 30-Jun-2008 per latest public filings
- Assumes capital expenditures of $818mm and depreciation and amortization of $867mm in 2024 terminal year, per Company management
- Assumes tax rate trends from 36% in 2009 to 31% in 2024 terminal year per management forecast
- Assumes cash flows discounted back to 01-Jan-2009
- Analysis includes impact of:
  - Future employee stock options expense: Assumes $328mm in after-tax ESO expense in 2009 with a six percent annual growth rate
  - Changes to James / Francis marketing agreement post 2015 per management guidance on expected market rate terms: "Marked to market" 2015 opt-in value derived from discounting projected product royalties from large and small molecules in the unnamed pipeline beginning in 2016, with a three percent perpetuity growth rate
- Includes several management updates from the 12-Aug-2008 presentation including:
  - Addition of $788mm in restricted cash, resulting in total cash and equivalents of $7,125mm as of 30-Jun-2008 per latest public filings
  - Decrease of HERA 2-year interim PTS for Q42008 from 30% to 20%

Summary Management Forecast

2009E – 2015E

($ in millions, except per share data)

	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2009E - 2012E CAGR	2009E - 2015E CAGR
Revenues:									
Avastin Base Case	$3,413	$3,852	$4,665	$5,420	$6,484	$7,290	$7,849	16.7%	14.9%
Rituxan	2,584	2,608	2,426	2,489	2,498	2,369	1,977	(1.2)%	(4.4)%
Herceptin	1,564	1,707	1,716	1,682	1,656	1,661	1,676	2.4%	1.2%
Lucentis	964	1,156	1,290	1,110	1,115	1,230	1,339	4.8%	5.6%
Other Named Products and Pipelin	2,762	3,266	3,821	4,156	4,347	4,683	4,972	14.6%	10.3%
Unnamed Base Case	-	-	-	16	102	275	587		
Non-Product	-	(15)	-	(21)	(51)	(48)	(50)		
Product Sales	$11,287	$12,574	$13,918	$14,852	$16,151	$17,460	$18,350		
Royalties	2,563	2,653	2,811	2,873	2,966	3,136	2,976		
Contract & Other	351	410	638	767	838	879	850		
Total Revenue	**$ 14,201**	**$ 15,638**	**$ 17,367**	**$ 18,491**	**$ 19,954**	**$ 21,475**	**$ 22,176**	9.2%	7.7%
Cost and Expenses:									
Cost of Sales	$1,546	$1,690	$1,653	$1,693	$1,812	$1,882	$1,802		
R&D	2,848	3,142	3,486	3,710	4,003	4,307	4,448		
MSG&A	2,166	2,175	2,277	2,427	2,488	2,719	2,923		
Profit Sharing	1,352	1,496	1,657	1,695	1,548	1,594	1,513		
Total Cost & Exp.	**$7,911**	**$8,503**	**$9,072**	**$9,524**	**$9,851**	**$10,503**	**$10,685**		
Operating Income	**$6,290**	**$7,135**	**$8,295**	**$8,967**	**$10,104**	**$10,972**	**$11,491**	12.5%	10.6%
EBITDA	**$6,958**	**$7,815**	**$9,017**	**$9,705**	**$10,858**	**$11,748**	**$12,275**	11.7%	9.9%
Other Income, Net	281	403	494	525	590	618	797		
Earnings (Pre-Tax)	**$6,571**	**$7,538**	**$8,790**	**$9,492**	**$10,694**	**$11,590**	**$12,288**	13.0%	11.0%
Taxes	2,367	2,563	2,753	2,873	3,195	3,452	3,652		
Net Income	**$4,204**	**$4,975**	**$6,036**	**$6,619**	**$7,498**	**$8,138**	**$8,636**	16.3%	12.7%
WASO	1,053	1,022	981	941	898	864	851		
EPS	**$3.99**	**$4.87**	**$6.15**	**$7.04**	**$8.35**	**$9.42**	**$10.15**	**20.8%**	**16.8%**
Growth and Margins Analysis									
Revenue Growth	-	10.1 %	11.1 %	6.5 %	7.9 %	7.6 %	3.3 %		
R&D as % of Revenue	20.1	20.1	20.1	20.1	20.1	20.1	20.1		
MSG&A as % of Revenue	15.3	13.9	13.1	13.1	12.5	12.7	13.2		
EBIT Margin	44.3	45.6	47.8	48.5	50.6	51.1	51.8		
EBITDA Margin	49.0	50.0	51.9	52.5	54.4	54.7	55.4		
EPS Growth	-	22.0	26.3	14.4	18.6	12.9	7.7		
Selected Balance Sheet Metrics									
Cash & Equivalents [1]	$6,237	$6,448	$6,938	$7,540	$8,089	$11,480	$18,306		
Total Debt	2,345	1,656	1,640	1,623	1,603	1,581	556		
Selected Cash Flow Metrics									
Depreciation & Amortization	$669	$680	$721	$738	$754	$776	$784		
Capital Expenditures	(737)	(808)	(788)	(613)	(602)	(624)	(645)		
(Increase) / Decrease in Working Capital	(66)	(218)	(160)	(155)	(252)	(162)	(106)		

Source: Company management projections as of 26-Sept-2008
[1] *Includes short-term investments*

Goldman Sachs

Cash Flow Analysis

($ in millions)

	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2009E - 2015E CAGR	2015E - 2024E CAGR	2009E - 2024E CAGR
Revenue	$14,201	$15,638	$17,367	$18,491	$19,954	$21,475	$22,176	$23,103	$25,154	$27,771	$28,032	$28,469	$29,363	$32,024	$34,543	$37,073	7.7%	5.9%	6.6%
Operating Income	$6,290	$7,135	$8,295	$8,967	$10,104	$10,972	$11,491	$11,854	$13,114	$14,728	$14,972	$14,597	$14,636	$16,098	$17,357	$19,003	10.6%	5.7%	7.6%
Taxes	(2,266)	(2,426)	(2,599)	(2,714)	(3,019)	(3,268)	(3,415)	(3,538)	(3,979)	(4,531)	(4,453)	(4,417)	(4,451)	(4,990)	(5,379)	(5,890)			
Unlevered Net Income	**$4,024**	**$4,709**	**$5,697**	**$6,253**	**$7,085**	**$7,704**	**$8,076**	**$8,316**	**$9,135**	**$10,197**	**$10,520**	**$10,181**	**$10,185**	**$11,108**	**$11,978**	**$13,114**	**12.3%**	**5.5%**	**8.2%**
D&A	$669	$680	$721	$738	$754	$776	$784	$794	$816	$838	$835	$797	$808	$839	$868	$866			
CapEx	(737)	(808)	(788)	(613)	(602)	(624)	(645)	(702)	(671)	(758)	(869)	(820)	(826)	(879)	(888)	(817)			
(Increase) / Decrease in Working Capital	(66)	(218)	(160)	(155)	(252)	(162)	(106)	(148)	(301)	(252)	(164)	(22)	(66)	(148)	(53)	(171)			
Unlevered Free Cash Flow	**$3,890**	**$4,363**	**$5,470**	**$6,223**	**$6,985**	**$7,694**	**$8,109**	**$8,259**	**$8,979**	**$10,025**	**$10,322**	**$10,136**	**$10,101**	**$10,920**	**$11,905**	**$12,992**	**13.0%**	**5.4%**	**8.4%**
Tax Rate	36.0%	34.0%	31.3%	30.3%	29.9%	29.8%	29.7%	29.8%	30.3%	30.8%	29.7%	30.3%	30.4%	31.0%	31.0%	31.0%			

Source: Company management projections as of 26-Sept-2008

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Discounted Cash Flow Analysis of Francis

Financial Sensitivities

2024 Terminal Year

Enterprise Value

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$88,115	$90,707	$93,669	$97,087	$101,074
9.5 %	94,890	98,061	101,721	105,990	111,036
9.0 %	102,518	106,437	111,010	116,414	122,899
8.5 %	111,064	115,963	121,753	128,701	137,193
8.0 %	120,461	126,666	134,113	143,214	154,590

Equity Value Per Share

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$85.98	$88.26	$90.86	$93.87	$97.37
9.5 %	91.94	94.72	97.94	101.69	106.13
9.0 %	98.64	102.08	106.10	110.86	116.56
8.5 %	106.15	110.46	115.55	121.66	129.13
8.0 %	114.41	119.87	126.42	134.43	144.44

% of Enterprise Value in Terminal Value

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	40.9 %	42.6 %	44.4 %	46.4 %	48.5 %
9.5 %	43.6	45.4	47.4	49.5	51.8
9.0 %	46.5	48.5	50.6	52.9	55.4
8.5 %	49.8	51.9	54.2	56.6	59.3
8.0 %	53.5	55.8	58.2	60.9	63.8

Implied 2024 P/E[1]

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	9.7 x	10.4 x	11.2 x	12.2 x	13.2 x
9.5 %	10.4	11.2	12.1	13.2	14.4
9.0 %	11.1	12.0	13.1	14.4	15.9
8.5 %	12.0	13.0	14.3	15.8	17.6
8.0 %	13.0	14.2	15.7	17.6	19.9

Source: Financial projections and scenarios per Francis management as of 01-Aug-2008 and 26-Sept-2008
Note: Includes capitalized ESO expense and "marked to market" 2015 opt-in value. Assumes 1,056mm basic shares outstanding, as of 07-Aug-2008, and net cash of $4,650 million, as of 30-Jun-2008. Assumes cash flows discounted to 01-Jan-2009
[1] P/E as implied by Earnings Before Interest, After-tax

Goldman Sachs

Sum of the Parts Analysis
Key Assumptions

- Anaysis for Francis separated into seven components:
  - Avastin, Rituxan, Herceptin, Lucentis, Other Named Products and Pipeline, Unnamed and Non-Product
- Includes the net present value of capitalized employee stock options expense, "marked to market" 2015 opt-in value and net cash
- Total debt of $2,475mm, total cash and investments of $7,125mm as of 30-Jun-2008 per latest public filings
- By component, depreciation and amortization, capital expenditures and changes in working capital allocated as a percentage of total revenue contribution
- Analysis of terminal value derived using perpetuity growth rates
  - Terminal growth rate for Unnamed products implied from terminal ranges on other components and total Company terminal ranges
- Assumes tax rate per Francis management for each component

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Sum of the Parts Analysis

2024 Terminal Year

	Value Range		
	10.0% Discount	8.0% Discount	Terminal Value Methodology
Avastin	$32.39	$40.97	(4.0)% to 0.0%
Rituxan	6.25	7.17	(4.0)% to 0.0%
Herceptin	10.88	13.05	(4.0)% to 0.0%
Lucentis	6.01	7.36	(4.0)% to 0.0%
Other Named Products and Pipeline	18.34	27.16	(1.0)% to 1.0%
Unnamed	29.87	83.17	**4.0% to 5.2%**
Non-Product	(16.39)	(28.11)	2.0% to 4.0%
Capitalized ESO Expense	(7.85)	(15.27)	
"Marked to Market" 2015 Opt-In Value	2.17	4.73	
Net Cash	4.31	4.22	
Total	$85.98	$144.44	
Whole-Co DCF Value	$85.98	$144.44	2.0% to 4.0%
Current Price (as of 26-Sep-2008)		$91.19	

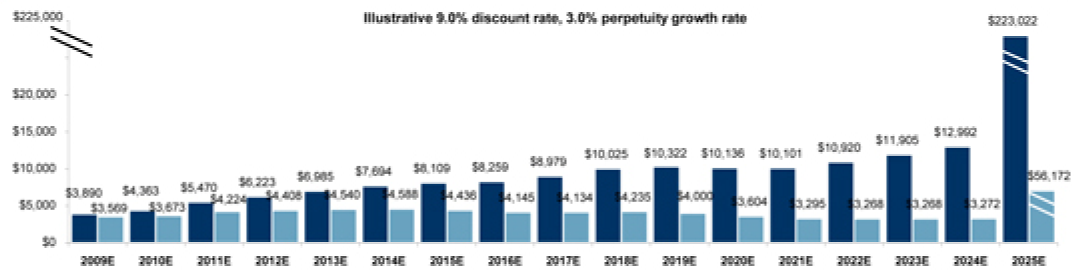
Source: Francis financials per Francis management
Note: Assumes 1,056mm basic shares outstanding plus dilution from options as of 07-Aug-2008, per Francis management. Assumes total debt of $2,475mm, total cash and investments of $7,125mm as of 30-Jun-2008 per latest public filings. Terminal growth rate for Unnamed products implied from terminal ranges on other components and total Company terminal ranges

Terminal Value Free Cash Flow Analysis

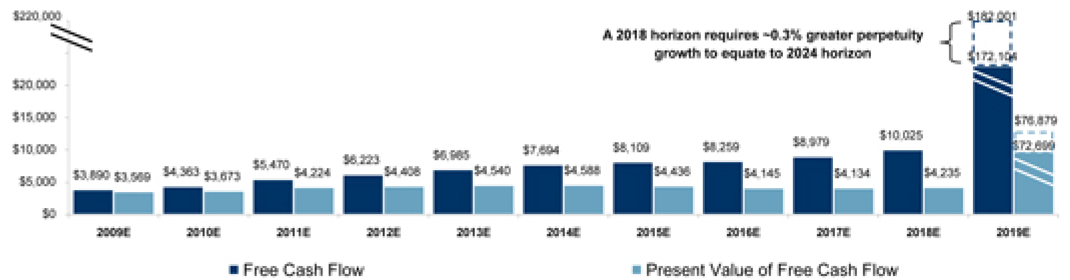
2024 vs 2018 Terminal Year Methodology Considerations

($ in millions)

2024 Terminal Year



2018 Terminal Year



Source: Per Francis management
Note: Assumes 3.0% perpetuity growth rate and 9.0% discount rate

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Comparison of Selected Comparable Companies

Selected Biotech

($ in millions, except per share data)

	Price as of 26-Sep-2008	52-Week High	Diluted Market Cap	Diluted Enterprise Value	Long-Term EPS Growth	EV / LTM Sales	P/E 2008E	P/E 2009E	P/E to Growth 2008E	P/E to Growth 2009E
Francis	$91.19	92.3 %	$99,047	$95,049	15.0 %	8.0 x	26.4 x	23.2 x	1.8 x	1.5 x
1 - Month Average	94.85	92.3	103,253	99,255	15.0	8.3	27.4	24.2	1.8	1.6
3 - Month Average	91.08	92.3	98,918	94,920	15.0	7.9	26.3	23.2	1.8	1.5
Selected Biotech[1]										
Amgen	$60.67	92.1 %	$64,191	$66,721	9.1 %	4.5 x	13.8 x	13.5 x	1.5 x	1.5 x
Biogen Idec	49.77	60.3	14,446	13,999	12.5	3.2	14.1	12.7	1.1	1.0
Celgene	66.27	86.1	33,593	31,363	37.5	19.9	42.8	28.4	1.1	0.8
Genzyme	81.16	97.5	23,571	22,241	18.0	5.5	20.6	16.9	1.1	0.9
Gilead	48.64	85.2	47,150	45,982	17.0	10.3	24.8	21.3	1.5	1.3
High		97.5 %	$64,191	$66,721	37.5 %	19.9 x	42.8 x	28.4 x	1.5 x	1.5 x
Mean		84.2	36,590	36,061	18.8	8.7	23.2	18.6	1.3	1.1
Median		86.1	33,593	31,363	17.0	5.5	20.6	16.9	1.1	1.0
Low		60.3	14,446	13,999	9.1	3.2	13.8	12.7	1.1	0.8

Source: Latest publicly available financial statements, IBES median estimates and Wall Street research as of 26-Sep-2008
[1] Selected Biotech includes profitable companies with Market Cap >$10bn.

Goldman Sachs

Comparison of Selected Comparable Companies

Large Pharma

($ in millions, except per share data)

	Price as of 26-Sep-2008	52-Week High	Diluted Market Cap	Diluted Enterprise Value	Long-Term EPS Growth	EV / LTM Sales	P/E 2008E	P/E 2009E	P/E to Growth 2008E	P/E to Growth 2009E
Francis	$91.19	92.3 %	$99,047	$95,049	15.0 %	8.0 x	26.4 x	23.2 x	1.8 x	1.5 x
1 - Month Average	94.85	92.3	103,253	99,255	15.0	8.3	27.4	24.2	1.8	1.6
3 - Month Average	91.08	92.3	98,918	94,920	15.0	7.9	26.3	23.2	1.8	1.5
Large Pharma										
James	$161.86	80.6 %	$140,265	$135,002	7.8 %	2.7 x	15.2 x	13.5 x	1.9 x	1.7 x
Abbott	59.40	98.2	93,146	142,359	13.0	5.3	18.1	16.2	1.4	1.2
AstraZeneca	46.40	91.0	67,192	118,718	4.0	3.9	9.5	9.0	2.4	2.2
Bayer	78.34	82.1	59,875	135,218	7.1	2.8	13.1	11.8	1.9	1.7
Bristol-Myers Squibb	20.82	69.2	41,232	84,663	11.3	4.2	12.6	10.5	1.1	0.9
Eli Lilly	46.82	78.7	53,232	92,146	5.5	4.8	11.9	10.9	2.2	2.0
GSK	22.49	88.1	115,997	127,695	5.1	3.1	12.2	11.8	2.4	2.3
Johnson & Johnson	69.40	96.1	197,119	197,213	8.2	3.2	15.4	14.6	1.9	1.8
Merck	32.12	52.9	68,816	66,476	5.0	2.7	9.7	9.1	1.9	1.8
Merck KGaA	111.47	82.3	24,233	83,449	10.6	7.9	12.2	11.0	1.2	1.0
Novartis	54.72	90.9	123,945	169,595	7.6	4.1	14.6	13.0	1.9	1.7
Novo Nordisk	55.80	81.0	34,867	41,481	14.2	5.0	19.2	17.7	1.3	1.2
Pfizer	18.66	72.9	125,787	154,262	3.0	3.2	7.9	7.4	2.6	2.5
Sanofi-Aventis	68.25	70.2	89,153	95,568	3.3	2.3	8.8	8.1	2.7	2.5
Schering-Plough	18.49	56.1	30,066	79,568	11.0	5.5	11.6	10.9	1.1	1.0
Wyeth	38.48	77.8	51,328	89,872	4.0	4.0	10.9	10.4	2.7	2.6
High		98.2 %	$197,119	$197,213	14.2 %	7.9 x	19.2 x	17.7 x	2.7 x	2.6 x
Mean		79.3	82,266	113,330	7.5	4.1	12.7	11.6	1.9	1.8
Median		80.8	68,004	107,143	7.3	3.9	12.2	10.9	1.9	1.8
Low		52.9	24,233	41,481	3.0	2.3	7.9	7.4	1.1	0.9

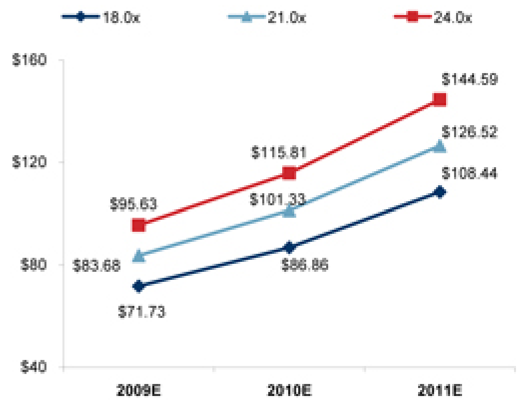
Source: Latest publicly available financial statements, IBES median estimates and Wall Street research as of 26-Sep-2008

Goldman Sachs

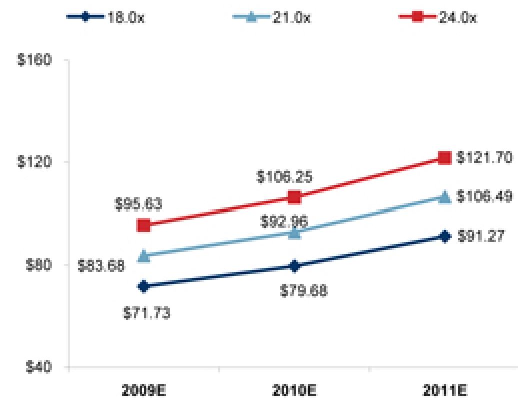
Present Value of Future Stock Price Analysis

Management Case, Adjusted for Share Repurchases at One Year Forward at 21.0x P/E[1]

Future Stock Price (Undiscounted)



Present Value at 9.0% Cost of Equity



	2009E	2010E	2011E
EPS (Calculated)	$ 3.98	$ 4.83	$ 6.02
IBES	$ 3.93	$ 4.47	$ 4.94[2]

Source: Francis management projections and IBES

[1] Assumes cash of $3.9bn, $5.0bn and $6.7bn for 2009E-2011E, respectively, used to repurchase shares based on management projections. Price of share repurchase assumed to be 21.0x one year forward EPS per Management Case ($102.26, $129.17 and $147.78 for 2009E-2011E, respectively).

[2] 2011E IBES mean based on selected composite from Wall Street research.

Goldman Sachs

B. Review of Long-Term R&D Impact

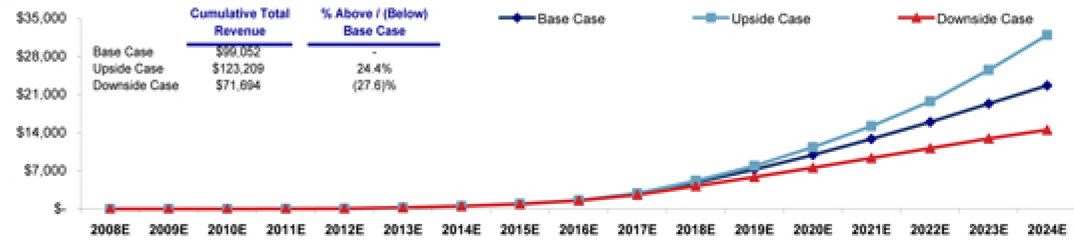
Unnamed Pipeline Assumptions

Base Case, Upside Case and Downside Case

($ in millions)

- Unnamed pipeline consists of large molecule and small molecule NMEs
  - Large molecule NMEs trend toward approximately four per year to enter pipeline
    - On average, $1bn peak sales (including line extension opportunities)
    - PTS of 20% from early development to launch for the initial indication
  - Small molecule NMEs comprise approximately 50+% of the remaining unnamed pipeline
    - On average, $1bn peak sales (including line extension opportunities)
    - PTS of 11% from early development to launch for the initial indication
- Upside assumptions:
  - One in five future molecules added to the portfolio to have an Avastin like sales potential (on average, $2.3bn peak sales)
  - Approximately 13% higher marketing and sales costs
  - Incremental R&D expenditure for each lead or line extension consistent with base case
  - PTS remains the same as the base case
  - 42% higher product sales and 12% higher royalties in 2024E
- Downside assumptions:
  - Reduced overall market opportunity to $500mm for each product
  - Approximately 25% lower marketing and sales costs; R&D spend remains unchanged
  - PTS remains the same as the base case
  - 39% lower product sales and 24% lower royalties in 2024E

Unnamed Pipeline PTS Adjusted Total Revenue: 2008E – 2024E



	Cumulative Total Revenue	% Above / (Below) Base Case
Base Case	$99,052	-
Upside Case	$123,209	24.4%
Downside Case	$71,694	(27.6)%

Source: Francis management projections

Base Case NME Detailed Assumptions

- Key assumptions in the Unnamed Pipeline are:
  1) Number of NMEs produced per year
  2) Average peak sales assumption
  3) PTS adjustment

	NME (Large Molecule)	NME (Small Molecule)	LE2 (Phase II)	LE3 (Phase III)
Peak Sales (Year 5)	$500mm	$500mm	$250mm	$250mm
NME:LE Ratio	1:3 unadjusted and 1:2 adjusted ($1bn peak sales per NME)			
Blended Dev Time[1]	111 months (9.25 years)	96 months (8 years)	84 months (7 years)	60 months (5 years)
Blended Dev Cost[1]	$230mm	$206mm	$112mm	$52mm
Post-Marketing	12% (NME) or 5% (LE) of sales at launch. PM cost steadily decreases to 2% at L+6			
Launch PTS[1]	20%	11%	32%	63%
Commercial Costs (BM% at Peak)	87%		94%	
U.S. Collaborator	20% of molecules have 10% Royalty Expense and Milestone payments of $65mm for NME, $22mm for LE2 and $19mm for LE3. James royalty income is unchanged at 12.5%			
James Spend % of Francis Spend	60%			

Source: Francis management projections
[1] From early development (ED Go) through filing for approval.

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NME Productivity Assumptions

Base Case IND Filings

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
LM NME	9.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
SM NME	2.0	2.5	2.5	3.5	3.5	4.5	5.5	5.5	5.5	6.5	6.5	6.5	7.5	7.5	7.5	7.5
Total	11.0	6.5	6.5	7.5	7.5	8.5	9.5	9.5	9.5	10.5	10.5	10.5	11.5	11.5	11.5	11.5

NME Launches

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
LM NME	0.2	0.7	0.5	0.6	0.5	1.3	0.7	2.8	1.4	1.1	1.1	1.1	1.1	1.1	1.1	1.1
SM NME	0.0	0.3	0.0	0.4	0.3	0.2	0.5	0.5	0.5	0.6	0.6	0.8	1.0	1.0	1.0	1.2
Total	0.2	1.1	0.5	1.0	0.8	1.5	1.2	3.2	1.9	1.8	1.8	2.0	2.1	2.1	2.1	2.3

Benchmark NME Launches

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008 YTD
Francis	0	1	1	0	2	2	0	1	0	0
GSK	3	1	1	0	0	0	1	0	2	0
Pfizer	3	1	2	2	1	1	0	2	1	0
J&J	0	0	0	0	0	0	0	0	1	0
Merck	1	0	2	0	1	0	0	2	1	0
Bristol Myers	2	0	0	0	1	0	2	1	1	0
Novartis	0	3	4	1	0	1	1	0	2	0
Total (w/o Francis)	9	5	9	3	3	2	4	5	8	0
Average (w/o Francis)	1.5	0.8	1.5	0.5	0.5	0.3	0.7	0.8	1.3	0

Source: Francis management and U.S. Food and Drug Administration Center for Drug Evaluation and Research; 2008 YTD through 31-Jul-2008
Note: Benchmark NME launches are pro forma for the following business combinations: Pharmacia/Pfizer, Glaxo/SmithKline Beecham, Merck Research Labs included in Merck

Goldman Sachs

Unnamed Products Case Discounted Cash Flow Analysis

Base Case, Upside Case and Downside Case

2024 Terminal Year

Unnamed Product Impact on Whole-Co. – Equity Value Per Share

Downside Case

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$72.35	$73.94	$75.76	$77.86	$80.25
9.5 %	76.75	78.68	80.87	83.42	86.40
9.0 %	81.51	83.85	86.55	89.74	93.55
8.5 %	86.64	89.52	92.93	97.02	102.03
8.0 %	91.99	95.64	100.03	105.39	112.09

Base Case

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$85.98	$88.26	$90.86	$93.87	$97.37
9.5 %	91.94	94.72	97.94	101.69	106.13
9.0 %	98.64	102.08	106.10	110.86	116.56
8.5 %	106.15	110.46	115.55	121.66	129.13
8.0 %	114.41	119.87	126.42	134.43	144.44

Upside Case

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$94.10	$96.91	$100.12	$103.82	$108.14
9.5 %	101.20	104.64	108.60	113.23	118.69
9.0 %	109.27	113.51	118.47	124.32	131.35
8.5 %	118.41	123.72	129.99	137.52	146.73
8.0 %	128.63	135.36	143.43	153.30	165.63

Incremental Impact on Whole-Co. – Equity Value Per Share

Downside Case

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	($13.63)	($14.32)	($15.10)	($16.01)	($17.12)
9.5 %	(15.19)	(16.04)	(17.07)	(18.28)	(19.73)
9.0 %	(17.13)	(18.23)	(19.55)	(21.12)	(23.00)
8.5 %	(19.52)	(20.94)	(22.62)	(24.64)	(27.10)
8.0 %	(22.43)	(24.23)	(26.39)	(29.04)	(32.34)

Upside Case

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$8.12	$8.65	$9.25	$9.95	$10.76
9.5 %	9.27	9.92	10.66	11.54	12.57
9.0 %	10.63	11.43	12.36	13.47	14.79
8.5 %	12.26	13.26	14.44	15.86	17.60
8.0 %	14.22	15.49	17.01	18.87	21.19

Source: Francis management projections

Goldman Sachs

C. Review of Avastin Analysis

Goldman Sachs

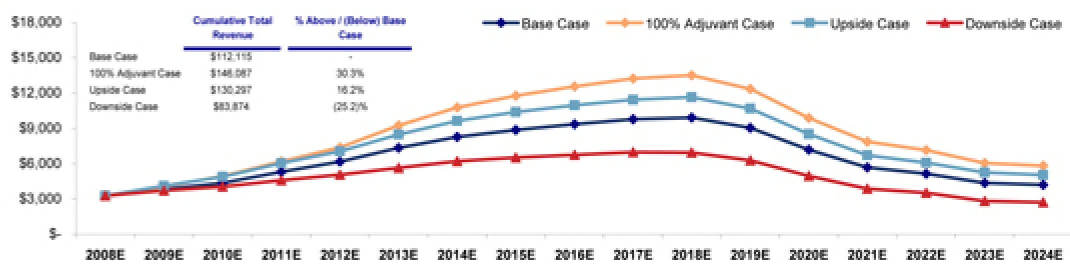
Avastin C-08 Assumptions

Base Case, 100% Adjuvant Case, C-08 Upside Case and C-08 Downside Case

($ in millions)

- Base Case:
  - 65% for PTS for adjuvant colon cancer trial (C-08) in Q2 2009
  - Most important additional Avastin indications of adjuvant breast and adjuvant lung cancer at 50% PTS
  - Implies overall adjusted Avastin revenues trend to ~65% of unadjusted Avastin revenues in 2015+ timeframe
  - 3.0% annual price increase beginning in 2016
- 100% Adjuvant Case: 100% PTS for colon, breast and lung indications
- C-08 Upside Case:
  - Early positive C-08 results in Q4 2008 resulting in 17% higher sales than base case for Avastin overall in 2017E
  - Increased PTS for adjuvant lung and adjuvant breast to 70%
  - Implies overall adjusted Avastin revenues trend to ~77% of unadjusted Avastin revenues in 2015+ timeframe
- C-08 Downside Case:
  - Negative C-08 results by Q2 2009 resulting in 29% lower sales than base case for Avastin overall in 2017E
  - Removes adjuvant CRC revenue from base case
  - Decreased PTS assumptions for adjuvant breast and adjuvant lung indications in development to 10%
  - Implies overall adjusted Avastin revenues trend to ~45% of unadjusted Avastin revenues in 2015+ timeframe

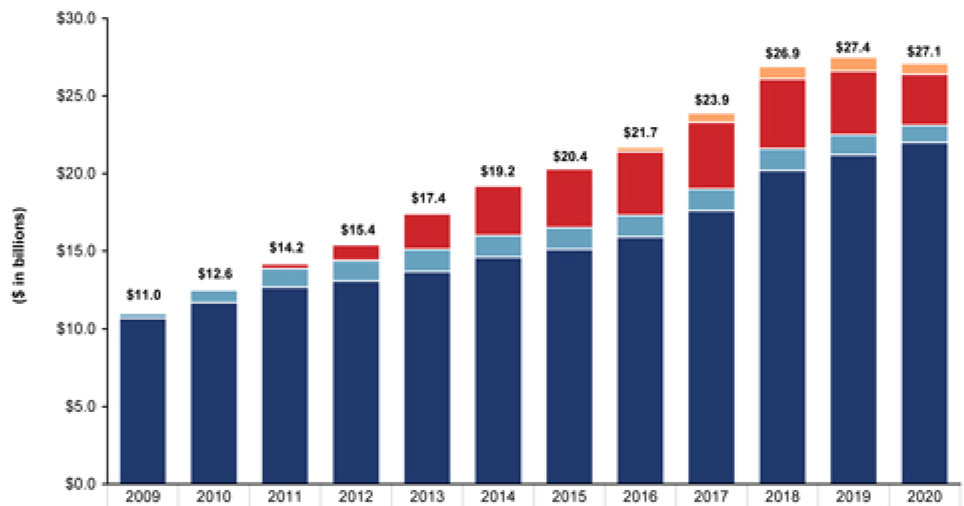
Avastin PTS Adjusted Total Revenue: 2008E – 2024E



Source: Francis management projections

Positive Early Adjuvant

($ in billions)



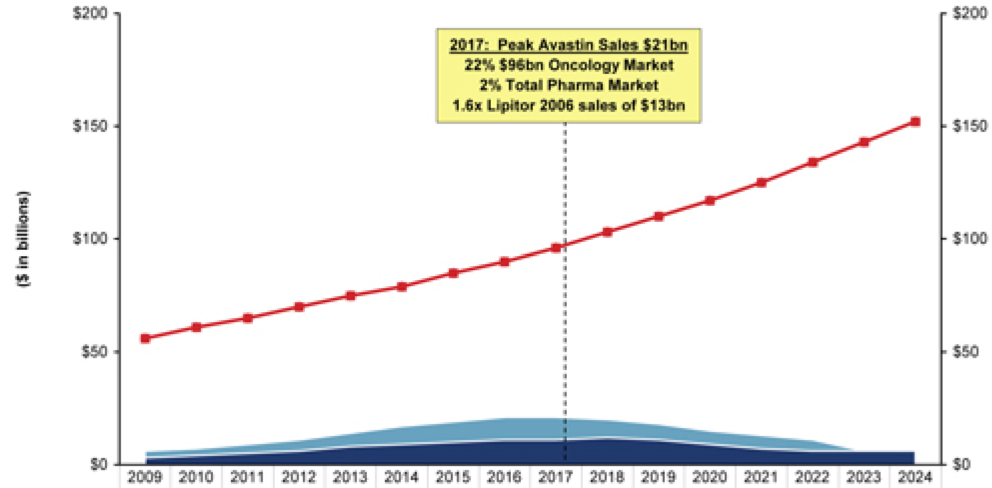
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Avastin aNSCLC	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.1	$0.3	$0.6	$0.8	$0.9	$0.7
Avastin aBC	$0.0	$0.1	$0.3	$1.0	$2.3	$3.2	$3.8	$4.1	$4.3	$4.5	$4.1	$3.3
Avastin aCRC	$0.3	$0.8	$1.2	$1.3	$1.4	$1.4	$1.4	$1.4	$1.4	$1.4	$1.3	$1.1
All Products excld. Adjuvant	$10.7	$11.7	$12.7	$13.1	$13.7	$14.6	$15.1	$15.9	$17.6	$20.2	$21.2	$22.0

Source: Francis management projections

Goldman Sachs

Avastin Worldwide Sales & Industry Comparison

($ in billions)



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Avastin ex-US Sales	$3	$3	$4	$5	$6	$8	$9	$10	$10	$8	$7	$6	$6	$5	–	–
Avastin US Sales	$3	$4	$5	$6	$8	$9	$10	$11	$11	$12	$11	$9	$7	$6	$6	$6
Total Oncology	$56	$61	$65	$70	$75	$79	$85	$90	$96	$103	$110	$117	$125	$134	$143	$152
Total Pharma	$725	$765	$806	$832	$860	$894	$930	$967	$1,005	$1,045	$1,087	$1,130	$1,175	$1,222	$1,270	$1,321

Source: Francis management projections
Note: Avastin sales are 100% adjuvant case. Market data is from Evaluate Health (2009-2014). Post 2014 is grown via 4-year CAGR 2010-2014. Peak sales sourced from Forbes

Avastin Case Discounted Cash Flow Analysis

Base Case, C-08 Upside Case and C-08 Downside Case

2024 Terminal Year

Avastin Impact on Whole-Co. – Equity Value Per Share

C-08 Downside Case

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$76.61	$78.79	$81.22	$84.03	$87.27
9.5 %	82.05	84.65	87.62	91.09	95.18
9.0 %	88.07	91.25	94.96	99.35	104.61
8.5 %	94.77	98.75	103.45	109.09	115.98
8.0 %	102.09	107.13	113.18	120.57	129.80

Base Case

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$85.98	$88.26	$90.86	$93.87	$97.37
9.5 %	91.94	94.72	97.94	101.69	106.13
9.0 %	98.64	102.08	106.10	110.86	116.56
8.5 %	106.15	110.46	115.55	121.66	129.13
8.0 %	114.41	119.87	126.42	134.43	144.44

C-08 Upside Case

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$91.75	$94.13	$96.84	$99.97	$103.63
9.5 %	98.07	100.97	104.33	108.24	112.87
9.0 %	105.18	108.78	112.97	117.93	123.88
8.5 %	113.16	117.66	122.97	129.34	137.13
8.0 %	121.96	127.66	134.49	142.84	153.28

Incremental Impact on Whole-Co. – Equity Value Per Share

C-08 Downside Case

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	($9.37)	($9.47)	($9.64)	($9.83)	($10.10)
9.5 %	(9.88)	(10.07)	(10.32)	(10.60)	(10.94)
9.0 %	(10.57)	(10.83)	(11.14)	(11.51)	(11.95)
8.5 %	(11.38)	(11.71)	(12.11)	(12.58)	(13.15)
8.0 %	(12.32)	(12.74)	(13.25)	(13.86)	(14.63)

C-08 Upside Case

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$5.77	$5.87	$5.98	$6.11	$6.26
9.5 %	6.13	6.25	6.39	6.55	6.74
9.0 %	6.54	6.69	6.87	7.07	7.32
8.5 %	7.01	7.20	7.42	7.68	8.00
8.0 %	7.55	7.78	8.07	8.41	8.84

Source: Francis management projections

Goldman Sachs

Avastin Case Discounted Cash Flow Analysis

Base Case, 100% Adjuvant Case and C-08 Upside Case

2024 Terminal Year

Avastin Impact on Whole-Co. – Equity Value Per Share

C-08 Upside Case

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$91.75	$94.13	$96.84	$99.97	$103.63
9.5 %	98.07	100.97	104.33	108.24	112.87
9.0 %	105.18	108.78	112.97	117.93	123.88
8.5 %	113.16	117.66	122.97	129.34	137.13
8.0 %	121.96	127.66	134.49	142.84	153.28

Base Case

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$85.98	$88.26	$90.86	$93.87	$97.37
9.5 %	91.94	94.72	97.94	101.69	106.13
9.0 %	98.64	102.08	106.10	110.86	116.56
8.5 %	106.15	110.46	115.55	121.66	129.13
8.0 %	114.41	119.87	126.42	134.43	144.44

100% Adjuvant Case

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$96.98	$99.45	$102.27	$105.53	$109.33
9.5 %	103.66	106.68	110.17	114.24	119.05
9.0 %	111.18	114.92	119.28	124.43	130.61
8.5 %	119.62	124.29	129.81	136.44	144.54
8.0 %	128.95	134.87	141.97	150.65	161.51

Incremental Impact on Whole-Co. – Equity Value Per Share

C-08 Upside Case

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$5.77	$5.87	$5.98	$6.11	$6.26
9.5 %	6.13	6.25	6.39	6.55	6.74
9.0 %	6.54	6.69	6.87	7.07	7.32
8.5 %	7.01	7.20	7.42	7.68	8.00
8.0 %	7.55	7.78	8.07	8.41	8.84

100% Adjuvant Case

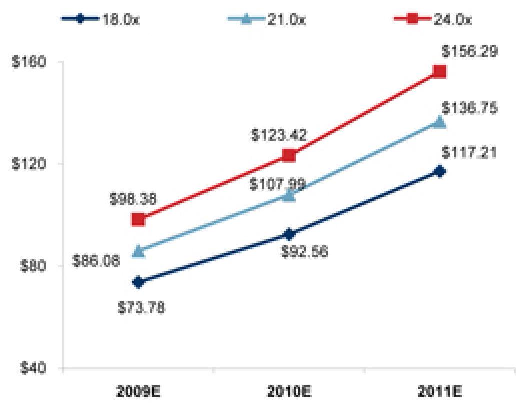
Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$11.00	$11.19	$11.41	$11.66	$11.96
9.5 %	11.72	11.96	12.23	12.55	12.92
9.0 %	12.54	12.83	13.17	13.57	14.05
8.5 %	13.47	13.83	14.26	14.78	15.41
8.0 %	14.54	15.00	15.55	16.22	17.07

Source: Francis management projections

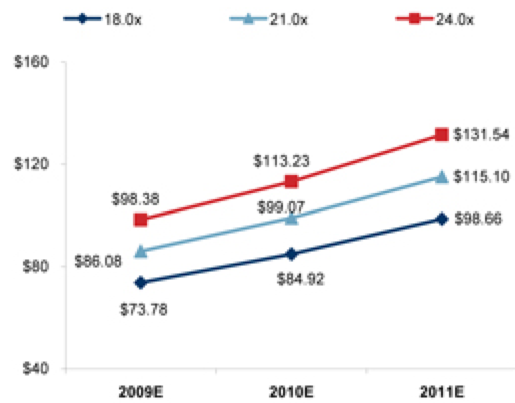
Present Value of Future Stock Price Analysis

100% Adjuvant Case, Adjusted for Share Repurchases at One Year Forward at 21.0x P/E[1]

Future Stock Price (Undiscounted)



Present Value at 9.0% Cost of Equity



	2009E	2010E	2011E
EPS (Calculated)	$ 4.10	$ 5.14	$ 6.51
IBES	$ 3.93	$ 4.47	$ 4.94[2]

Source: Francis management projections and IBES

[1] Assumes cash of $3.9bn, $5.0bn and $6.7bn for 2009E-2011E, respectively, used to repurchase shares based on management projections. Price of share repurchase assumed to be 21.0x one year forward EPS per Management Case ($109.59, $141.08 and $165.11 for 2009E-2011E, respectively).

[2] 2011E IBES mean based on selected composite from Wall Street research.

II. Selected Updates to Transaction-Related Financial Analysis

Inter-Company Loan and Tax Commentary

From KPMG and E&Y

- Tax rates may vary depending on the location of a company's residence
  - James is believed to have historically used a financing subsidiary in the Netherlands for inter-company financing
- A Dutch company for a major multinational group can expect a tax rate of around 1%
- A Swiss company can expect a statutory tax rate (including federal, cantonal and communal) of around 24%
  - The ordinary effective tax rates for companies on profit before tax vary between 12.7% and 26%, depending on the canton and community in which the company resides
    - For Swiss resident companies, the taxable income is the annual worldwide income, excluding income from foreign permanent establishments
    - A Swiss company may offset losses incurred in a foreign permanent establishment against income generated in Switzerland to the extent that the losses are not taken into consideration in the country where the permanent establishment in located
- To conclude that long-term debt is of an arm's length nature of long-term debt, a tax advisor such as E&Y or KPMG could be expected to perform the following analysis before making their determination
  - Credit rating assessment (including various company, industry and financial analyses)
  - Interest Rate Benchmarking
  - Debt structuring and sensitivity analysis

Source: Per KPMG's "Swiss Corporate Income Tax System" in December 2007

Goldman Sachs

Illustrative Leverage Analysis for Standalone Francis

($ in millions)

Amount of New Debt ($mm)	$10,000	$20,000	$30,000	$40,000	$50,000
2009E Standalone Credit Profile ($mm)					
EBITDA	$6,958	$6,958	$6,958	$6,958	$6,958
CapEx	737	737	737	737	737
Total Debt	$12,345	$22,345	$32,345	$42,345	$52,345
Total Debt / EBITDA	1.8 x	3.2 x	4.6 x	6.1 x	7.5 x
Total Debt / (EBITDA - CapEx)	2.0	3.6	5.2	6.8	8.4
Net Debt	$2,052	$12,752	$23,452	$34,152	$44,852
Net Debt / EBITDA	0.3 x	1.8 x	3.4 x	4.9 x	6.4 x
Net Debt / (EBITDA - CapEx)	0.3	2.0	3.8	5.5	7.2
Total Cash	$10,293	$9,593	$8,893	$8,193	$7,493
2010E Standalone Credit Profile ($mm)					
EBITDA	$7,815	$7,815	$7,815	$7,815	$7,815
CapEx	808	808	808	808	808
Total Debt	$12,345	$22,345	$32,345	$42,345	$52,345
Total Debt / EBITDA	1.6 x	2.9 x	4.1 x	5.4 x	6.7 x
Total Debt / (EBITDA - CapEx)	1.8	3.2	4.6	6.0	7.5
Net Debt	($1,653)	$9,761	$21,175	$32,589	$44,003
Net Debt / EBITDA	(0.2)x	1.2 x	2.7 x	4.2 x	5.6 x
Net Debt / (EBITDA - CapEx)	(0.2)	1.4	3.0	4.7	6.3
Total Cash	$13,998	$12,584	$11,170	$9,756	$8,342
Preliminary Long-term Credit Rating	A+ / A2	A- / Baa1	BBB- / Baa3	BB / Ba2	B+ / B1
Potential Notch Downgrade [1]	1 / 1	3 / 3	6 / 5	8 / 7	10 / 9
Preliminary Short-term Credit Rating	A-1 / P-1	A-2 / P-2	A-3 / P-3	B / NP	B / NP

Source: Francis management projections
Note: Assumes no debt paydown, 7.0% interest rate and 2.0% opportunity cost of cash
[1] *Assumes current S&P / Moody's long-term rating of AA- / A1, as of 24-Sep-2008.*

Goldman Sachs

Illustrative Benefits Related to Inter-Company Loan

Potential Inter-Company Loan Benefit

- James Swiss parent raises debt in non-U.S. jurisdictions
- James parent loans proceeds to its U.S. subsidiary at an arm's-length rate (e.g., 8%) to fund the buyout consideration (the "inter-company loan")
- The inter-company loan creates tax deductions in the U.S. which enhances after-tax cash flow from Francis' operations
  - Interest on inter-company loan is generally deductible for U.S. tax purposes provided aggregate interest expense does not exceed 50% of taxable EBITDA
  - Interest payments should not be subject to U.S. withholding tax under U.S.-Swiss tax treaty
- Need to determine whether and at what rate the interest income would be taxable in Switzerland
  - Generally, Swiss companies would be subject to tax on interest income at 25% tax rate, although there may be structures to reduce tax liability in Switzerland
- Illustrative tax shield assuming $30 billion in new debt:
  - ($30bn debt * 8% interest rate * 39% marginal tax rate) = $936mm annual benefit
  - If Swiss tax rate on interest income is 25%, net tax savings of $336mm; net benefit even greater if interest income is subject to even lower tax rate in Switzerland or the Netherlands

NPV Benefit of Inter-Company Loan at Various Swiss Tax Rates

Swiss Tax Rate	Inter-Company Loan Amount ($bn)				
	$10.0	$20.0	$30.0	$40.0	$50.0
25 %	$1.2	$2.5	$3.7	$5.0	$6.2
20 %	1.7	3.4	5.1	6.8	8.4
15 %	2.1	4.3	6.4	8.5	10.7
10 %	2.6	5.2	7.7	10.3	12.9
5 %	3.0	6.0	9.1	12.1	15.1
0 %	3.5	6.9	10.4	13.9	17.3

NPV Benefit of Inter-Company Loan Per Minority Share at Various Swiss Tax Rates

Swiss Tax Rate	Inter-Company Loan Amount ($bn)				
	$10.0	$20.0	$30.0	$40.0	$50.0
25 %	$2.66	$5.31	$7.97	$10.62	$13.28
20 %	3.60	7.21	10.81	14.41	18.02
15 %	4.55	9.10	13.65	18.21	22.76
10 %	5.50	11.00	16.50	22.00	27.50
5 %	6.45	12.90	19.34	25.79	32.24
0 %	7.40	14.79	22.19	29.58	36.98

Note: Per share benefit to minority holders based on 44.4% minority holding of 1,055,649,792 basic shares outstanding as of 31-Jul-2008. Assumes 9.0% cost of capital. Assumes James will not pay down transaction debt and U.S. marginal tax rate of 39%. EPS benefit to James based on 1.08 CHF : USD exchange rate and 862.6 million James shares outstanding

Goldman Sachs

Additional Sources of Transaction Value

Potential Tax Benefits Related to Longer-Term Tax Offshoring

- Over time James may be able to offshore Francis IP to achieve a lower overall tax rate
  - Immediate movement of IP offshore would generate a large one-time tax bill
- In addition, due to global operations, James may be able to accelerate and/or maintain offshore manufacturing tax benefits for a longer period
- The long term benefit of a tax rate that approximates James' current tax rate could contribute significant long-term value
- The table below shows the net value that could be created by trending to a 26% terminal year tax rate vs. a 31% tax rate

Present Value of Longer-term Tax Offshoring Per Minority Share

		Perpetuity Growth Rate				
		2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
Discount Rate	10.0 %	$4.52	$4.89	$5.33	$5.82	$6.41
	9.5 %	5.34	5.80	6.34	6.96	7.70
	9.0 %	6.32	6.90	7.56	8.35	9.30
	8.5 %	7.50	8.21	9.06	10.07	11.31
	8.0 %	8.91	9.82	10.91	12.24	13.90

Note: Per share benefit to minority holders based on 44.4% minority holding of 1,055,649,792 basic shares outstanding as of 31-Jul-2008. Assumes James will not pay down transaction debt. Potential tax withholding related to interest income to parent entity is not included in analysis.

Goldman Sachs

Synergy Levels in Precedent Pharmaceutical Transactions

($ in millions)

Announced Transactions	Transaction Type	Total Announced Cost Savings ($)	Total Cost Savings as a % of Prior Year Combined: Pharma Sales	Total Cost Savings as a % of Prior Year Combined: R&D + SG&A
James / Francis	*Acquisition*	*$750 - $850*	*2.1% - 2.5%*	*3.0% - 3.4%*
UCB / Schwarz	Acquisition	382	10.8	17.5
AstraZeneca / MedImmune	Acquisition	500	1.8	3.3
Roche / Syntex	Acquisition	825	10.6	21.4
Glaxo / Wellcome	Acquisition	1,165	9.4	19.9
Ciba-Geigy / Sandoz	Merger of Equals	1,500	7.8	17.7
Pfizer / Warner-Lambert[1]	Acquisition	1,700	8.1	14.5
Astra / Zeneca	Merger of Equals	1,900	8.5	14.1
Pharmacia / Upjohn	Merger of Equals	500	6.7	13.5
Glaxo / SmithKline	Merger of Equals	1,700	8.1	13.0
AHP / Monsanto	Merger of Equals	1,400	6.2	12.9
Sanofi-Synthelabo / Aventis	Acquisition	1,940	6.1	12.5
Pfizer / Pharmacia	Acquisition	2,500	6.8	11.0
Monsanto / Pharmacia & Upjohn	Merger of Equals	600	5.7	9.4
AHP / Warner-Lambert[2]	Merger of Equals	1,200	6.9	9.1
		High	***10.8%***	***21.4%***
		Mean	***7.6***	***14.1***
		Median	***7.4***	***13.3***
		Low	***1.8***	***3.3***

Source: Publicly available information
[1] *Represents percentages based on Pharma businesses only. Adjusts for Warner-Lambert's consumer and confectionary businesses and Pfizer's animal health and consumer businesses.*
[2] *Deal withdrawn.*

Goldman Sachs

Additional Sources of Transaction Value

Synergy Benefits

- James has messaged $750 - $850mm in synergies
  - Precedent transactions indicate synergies could be substantially larger

EPS Impact to James

- The incremental impact of each incremental $100mm of pre-tax synergies is an annual CHF 0.08 per share to James EPS (0.6% of James 2009E EPS)

Present Value of Synergies

- Synergies benefit is attributable to the minority shareholders (469mm shares)

Present Value of Synergies

Cost of Capital	Annual Savings: $750	$850	$1,500
10.0 %	$4,798	$5,438	$9,597
9.0 %	5,332	6,042	10,663
8.0 %	5,998	6,798	11,996

Present Value of Synergies Per Minority Share

Cost of Capital	Annual Savings: $750	$850	$1,500
10.0 %	$10.24	$11.60	$20.48
9.0 %	11.38	12.89	22.75
8.0 %	12.80	14.50	25.59

Note: Per share benefit based on 44.4% minority holding of 1,056 million basic shares outstanding as of 31-Jul-2008. Synergies taxed at Francis tax rate of approximately 36.0%. EPS benefit to James based on 1.08 CHF : USD exchange rate and 862.6 million James shares outstanding. Percentage change to James EPS based on 2009E Wall Street EPS of CHF 13.22.

III. Financial Analysis Summary

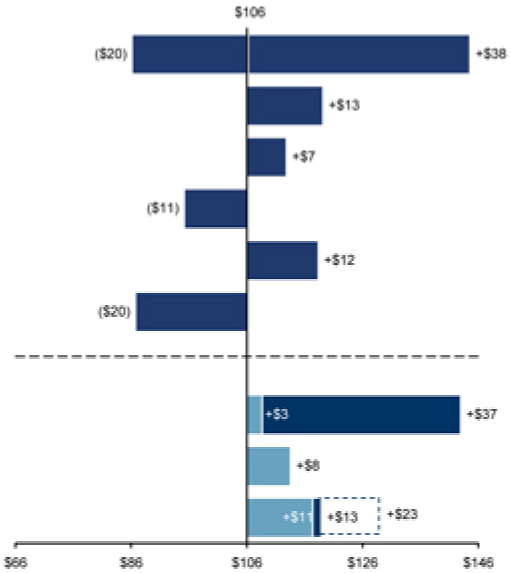
Goldman Sachs

Illustrative Review of Financial Analysis

Sensitivity Analysis

Item	Methodology
Base Case	Range of 8% to 10% discount rate and 2% to 4% perpetuity growth rate
Scenarios[1]	
100% Adjuvant	100% PTS in colon, breast and lung indications
Adjuvant Upside	70% PTS for adjuvant lung and breast indications; early positive C-08 results in Q4 2008
Adjuvant Downside	10% PTS for adjuvant lung and breast indications; negative C-08 results by Q2 2009
Unnamed Pipeline Upside	Greater market opportunity – one in five future molecules added to portfolio have an Avastin like sales potential (~$2.3 billion peak sales)
Unnamed Pipeline Downside	Reduced overall market opportunity to $500 million for each product
Additional Sources of Value Per Minority Share	
Inter-Company Loan	Tax shield assumes U.S. marginal tax rate of 39%, 8% inter-company interest rate, loan $10 to $50 billion loan amount and interest income tax rate to parent of 0% to 25%; capitalized with 9% cost of capital; value per minority share
Tax Off-Shoring	31% terminal year tax rate trends down to 26% over time
Synergies	Range of $750 to $1,500 million; 0% perpetuity growth rate; 9.0% cost of capital; 36% tax rate

Equity Value Per Diluted Share



Source: Francis management projections
[1] *Assumes 3.0% perpetuity growth rate and 9.0% discount rate*

IV. Review of Discussions With Greenhill

Review of Discussions with Greenhill

- Goldman Sachs has had several in-person discussions with Greenhill over the last two months reviewing their approach to value
- At the initial meeting on 21-Aug-2008, GS reviewed Greenhill's analysis which indicated a standalone fundamental value range of $72.79 to $80.39[1]
- Several components of value that provided for meaningful differences between the Greenhill and GS analyses were initially addressed. These included:
  - Cash / long-term marketable securities (Greenhill acknowledged $1.68/share of value)
  - Forecast tax rate (Greenhill acknowledged $3.53/share of value)
  - 2015+ commercial rights
  - Synergies
  - Transaction-related tax benefits
- At the follow-up meeting on 09-Sep-2008, Greenhill addressed a number of these components of value
  - Standalone fundamental value range in their analysis increased from first presentation to $76.58 to $84.08[1] based on inclusion of long-term marketable securities and acceptance of forecast tax assumption
  - Transaction-related value only related to synergies ($750 mm - $850 mm) across all outstanding Francis shares of $5.07 per share

Note: Fundamental value ranges per Greenhill 21-Aug-2008 and 09-Sep-2008 presentations
[1] Equity value per share at 9.0% discount rate and 2.0% to 3.0% perpetuity growth rate, respectively.

Goldman Sachs

Review of Greenhill Presentation

Summary of Key Value Driving Differences

Metric	Greenhill	GS	Potential Delta (Per Share) [1]
Standalone			
2015 Opt-in Rights	Not included	Valued separately	~$3.20 per share
Forecast Tax Assumption	35% flat	36% trending to ~31% by 2018	$5.50 per share
Current Cash Balance	$4,505mm (excludes long-term marketable securities)	$6,337mm (includes long-term marketable securities)	$1.71 per share (both exclude "restricted cash" of $788mm)
Forecast	"June 2008 LRP [2]"	01-Aug-2008 Standalone Financial Model	$18.59 per share (all else constant to Greenhill assumptions)
Employee Stock Option Compensation	Integrated into cash flow buildup	Valued separately	($5.01) per share
Fully Diluted Shares Outstanding	1,073.5mm (static, 21-Aug-2008 Pres) 1,086.6mm (static, 09-Sep-2008 Pres)	1,079.6mm (dynamic) 1,079.6mm (dynamic)	($0.46) per share (at $89 / share) $0.49 per share (at $89 / share)
Transaction-related			
Transaction-related Tax Benefits	Not included	Considered	$7.97 to $36.98 per minority share
Synergies	$5.43 - $6.16 per share - 0% perpetuity growth rate - 30% tax rate - Fully diluted shares	$11.38 - $12.89 per share - 0% perpetuity growth rate - 36% tax rate - Minority shares	$5.83 - $6.61 per minority share [3]

Source: Per Greenhill 21-Aug-2008 and 09-Sept-2008 presentation

[1] *Assumes 1073.5mm diluted shares, unless otherwise noted. Assumes 3.0% perpetuity growth rate and 9.0% discount rate.*

[2] *Preliminary review indicates Greenhill may be using an earlier forecast.*

[3] *At 3.0% perpetuity growth rate, potential delta becomes $11.46 - $12.99 per minority share.*

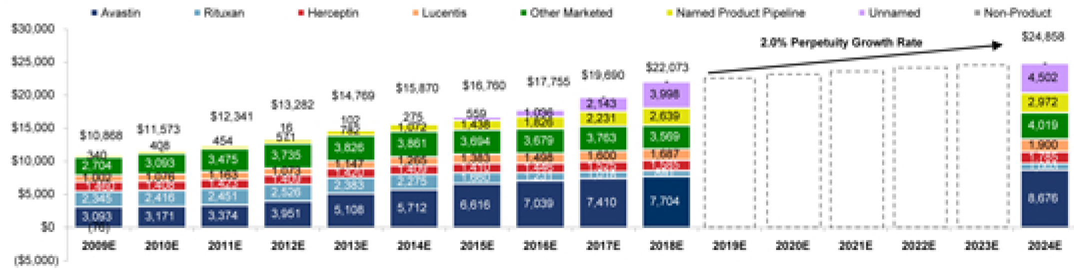
Goldman Sachs

Comparison of Product Sales Breakdown

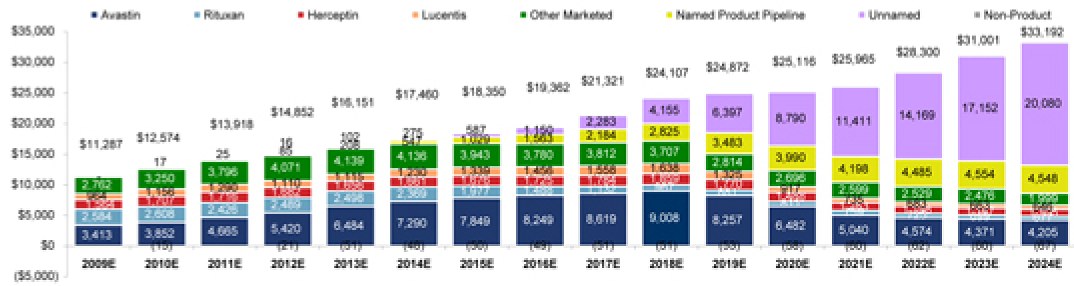
Greenhill vs Special Committee

($ in millions)

Greenhill (May 1st LRP)[1]



Special Committee



Source: Per Francis management

[1] Assumes 2.0% perpetuity growth rate beginning in 2018E, to reflect Greenhill presentation analysis.

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Illustrative Comparison of FCF and Terminal Value

($ in millions, except per share data)

Greenhill Analysis		GS Analysis		GS Analysis (2019 Terminal Year)	
2018 FCF	$7,887	2018 FCF	$10,025	2018 FCF	$10,025
2019 (Terminal Year)	135,388	2019	10,322	2019 (Terminal Year)	172,104
		2020	10,136		
		2021	10,101		
		2022	10,920		
		2023	11,905		
		2024	12,992		
		2025 (Terminal Year)	223,022		

	Greenhill Analysis	GS Analysis	GS Analysis (2019 Terminal Year)
Discount Rate	9.0%	9.0%	9.0%
Terminal Growth Rate	3.0%	3.0%	3.0%
Post 2018 "Terminal Value"	$135,388	$289,397	$172,104
Terminal Year Discount Factor	0.422		0.422
PV of FCF (Pre 2018)	$31,403	$41,951	$41,951
PV of Terminal Value (Post 2018)	**$57,189**	**$76,879**	**$72,699**
Total Shares[1]	1,086.6	1,090.1	1,088.4
PV Per Share of FCF (Pre 2018)	$28.90	$38.49	$38.55
PV Per Share of Terminal Value (Post 2018)	**$52.63**	**$70.53**	**$66.80**
Adjustments			
Capitalized ESO Expense Per Share	N/A	($10.33)	($10.35)
2015 Opt-in Value Per Share	N/A	$3.15	$3.16
Net Cash Per Share	$3.00	$4.27	$4.27
Total PV	**$84.54**	**$106.10**	**$102.43**

Source: Per Greenhill 09-Sep-2008 presentation and Francis management

[1] *Diluted shares for Greenhill per 09-Sep-2008 presentation. Diluted shares for GS calculated per options schedule provided by Francis management as of 07-Aug-2008*

V. Alternative Structures

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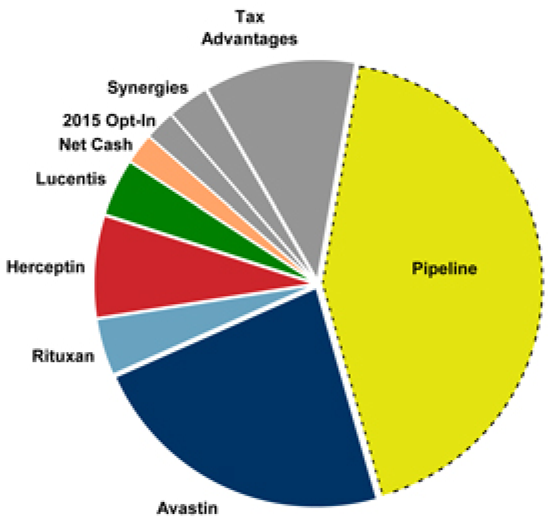
Consideration of Alternatives

Balancing Transaction-Related Value with Potential Productivity Loss and Pipeline Value Destruction

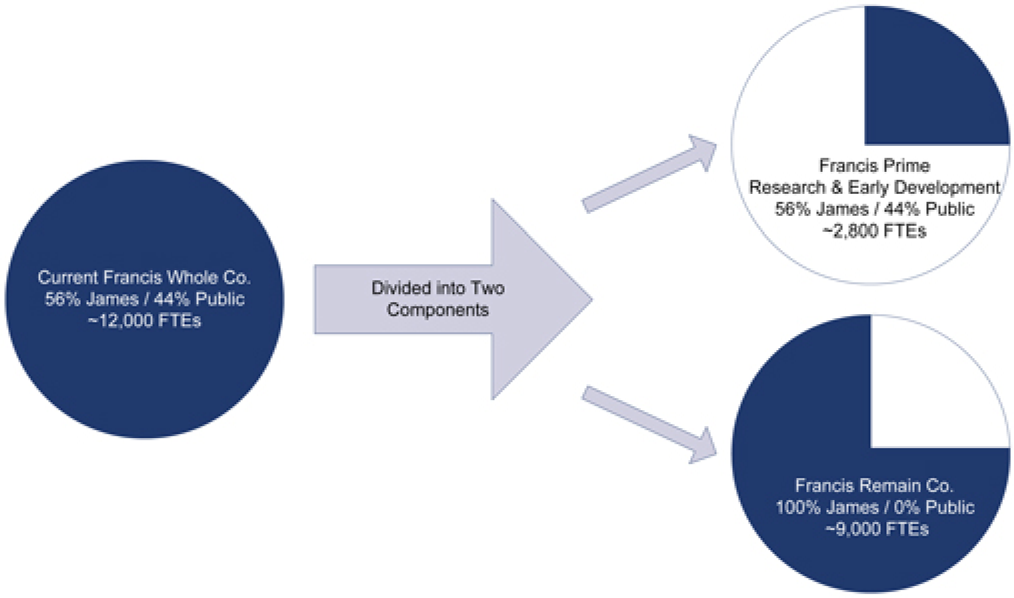
Illustrative Segments of Value in a Full Acquisition



Alternatives

- Status Quo
- James acquires 100% of the public minority stake
- "Francis Prime"
- Contingent Value Rights (CVR)
- Increased James Ownership
  - Contractual Adjustments
  - "Next Gen"

Illustrative Concept of a Francis Prime



Source: Per Francis management

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Illustrative Prime Pipeline Progression

PTS, IND and Development Assumptions for Pre-POC

PTS Assumptions

Named Programs	Phase II	Phase III	Launch	Launch Year
Anti - IFN alpha	90 %	41 %	26 %	2015
huMAB Beta7	85	51	28	2015
huMAb OX40L	85	39	25	2016
MetMAB	90	36	23	2015
NRP1	90	36	23	2015
Muc16	75	49	31	2015
IAP	60	27	18	2014
MEK	60	27	18	2014
GDC-0941 (PI3K)	60	27	18	2014
GDC-0384 (BTK)	60	27	18	2015
anti-oxLDL	80	32	20	2017
anti-ABeta	65	39	30	2018
IL-13	95	43	27	2014
Trx-1	85	34	21	2016

Number of Molecules at Various Development Stages (PTS Adjusted)

	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E
INDs	11.0	6.5	6.5	7.5	7.5	8.5	9.5	9.5	9.5	10.5	10.5	10.5	11.5	11.5	11.5	11.5
P2 POC FPI	7.1	3.8	5.3	7.4	5.1	5.7	5.7	6.3	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9
P3 FPI	0.0	0.0	2.8	1.1	3.7	3.6	2.5	2.7	2.7	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Launch	0.0	0.0	0.0	0.0	0.0	0.8	1.5	0.6	3.2	1.9	1.7	1.8	1.9	2.0	2.1	2.1

Source: Per Francis management

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Summary of Financial Analysis Assumptions for Prime

- Spin out of Francis Prime assumes the current investor split of 56% : 44% of James : Public Investors that own the New Co. at 01-Jan-2009
- Assumes 2008E cash balance equal to forward 30-month forward cash burn
- In addition to initial cash infusion, subsequent financings would be expected to be completed, thus diluting current shareholders
- Assumes James would invest pro rata at each financing need to maintain its 56% ownership level
- Financing occurs when current cash balance is less than 18-month forward cash burn, in an amount equal to 30-month forward cash burn

Scenario	Rounds of Financing[1]	Total Financing Required ($mm)	Total James Financing ($mm)
Higher Risk and Return	4	~$7,000	~$4,000
Lower Risk and Return	2	~$3,000	~$2,000

- Preliminary analyses indicate an NPV mid-point range of approximately $5 to $10 per share
  - NPV varies significantly depending on discount rate and perpetuity growth rate assumptions as well as the economics around milestones and royalties
  - Investors could apply both a higher discount rate (reflecting increased financing risk and decreased scale of the business) but may also apply higher perpetuity growth rates (based on the growth profile of the pipeline)

[1] *Includes initial cash infusion*

Prime Structural Considerations
Structuring Items That May Enhance Value

- Put / Call Options
  - 100% access of shares subject to put / call
- Ownership Mix
  - 56% / 44% parallel to current arrangement
  - 80% / 20% provides tax consolidation benefits to James
- Economics on Milestones & Royalties
  - Upfront cash flow attractive to offsetting burn
- Opt-In Rights and Cost Sharing Items
- Corporate Governance
  - Revised Affiliation Agreement
  - Agreement to address friction between James and Francis R&D efforts

Assessment of Prime's Viability as a Public Entity

Advantages

- Potential to retain key talent and preserve innovation and productivity in new medicine development
- Francis track record of excellence in drug development provides confidence and high expectations from inception
- Put / call structure could be an option to provide investor downside protection with pre-defined upside potential

Considerations

- Cash flow negative business through 2017 (on average) with significant capital needs
  - Investor patience and willingness to fund entity (~$3 billion estimated)
  - Likely turnover of investor base to a narrower subset of sector specialists
  - Significant investor dilution to fund entity
  - No public comparables to benchmark against
- Low likelihood of M&A activity
- Significant James expenditures and capital commitment in exchange for partial economics implies substantial value leakage compared to a full acquisition
  - Time frame for realization of potential productivity decline in a full acquisition will be many years
- Significant complexity relative to other options will likely imply a discount to value associated with this entity
- Ability to negotiate favorable economic arrangement and governance provisions key to success of entity
- Potential to reduce transaction-related tax benefits

General Description of Contingent Value Rights

Contingent Value Rights ("CVRs") are generally transferable securities issued by an acquiring company ("Issuer") to the Target's stockholders as additional consideration

- Used in the context of purchase transactions, CVRs serve as an incentive or "sweetener" to lock in a certain return or provide downside protection for target or minority shareholders
- Typically provide Target shareholders with downside protection (or guaranteed upside) with respect to Buyer stock received or Target stock left outstanding
  - Used in transactions in which part of the consideration to be paid for the target consists of stock
- Often used when the Issuer and the Target have different views on the viability or value of the target's business
  - CVRs are effective where Buyer is bullish about its stock price and Target shareholders are concerned Buyer's stock may be overvalued
  - Enables part of the payment on an acquisition to be deferred, reduced or avoided
- Given to shareholders as separately traded securities whose value moves inversely with the value of the underlying stock
  - As underlying stock declines, CVR is designed to increase in value
- Because CVRs are separately listed and traded, shareholders can sell them immediately or wait until maturity to collect any payment

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Contingent Value Rights
Comparison of Structural Alternatives

CVRs can be separated into two broad categories based on the contingency giving rise to the CVRs' value:

- ***Performance Driven:*** Issuer's stock value over a certain period of time
  - Resemble put options in that they are generally intended to guarantee that the target's stockholders receive a minimum amount of consideration for their shares in the target after a prescribed period of time
  - Structured so that their value increases as the value of the Issuer's stock decreases (and vice versa)
    - If stock is trading below Target value on maturity date, issuer pays CVR holder the difference
    - Settlement amount may be paid in cash, stock, or other securities
    - Risk for issuer is usually capped through a "maximum payment" feature, i.e., a "floor" on the CVR
  - The value of these CVRs will be derived from the difference between a target value and future market value (typically in the form of a collar)
- ***Event Driven:*** Target's value depends upon the occurrence of uncertain events
  - Resemble earn-outs and are unrelated to the Issuer's stock price
  - These CVRs compensate the shareholders if specific events occur
  - Examples include: achieve regulatory milestones, completion of a lawsuit, sale of assets or stock, attainment of sales targets, increase in the market price of the target's products, or a percentage of net sales

Potential Alternative	Key Idea/Application	Pros	Cons
Performance Driven CVR	■ Entitles Target shareholders to participate in the appreciation of Buyer stock if it exceeds a threshold level by a set date ■ The consideration that Target shareholders receive would depend on the Buyer stock price at maturity of the contract	■ May allow Buyer to retain all stock price appreciation above certain threshold level ■ Gives Buyer some hedge against business underperformance	■ Future payment(s) tied to overall Buyer performance — Target shareholders could benefit from value drivers unrelated to the business ■ If business performs above expectations, value delivered to Target shareholders would be greater than with conventional payment
Event Driven CVR	■ Entitles Target shareholders to receive future cash payment(s) if certain milestones, approvals, or sales threshold(s) is/(are) met ■ Payment level can be fixed in advance	■ Future payment(s) directly tied to business' performance ■ Provides potential for significant value creation if business meets Target management projections and timeline	■ If milestones or revenue hurdles are not achieved, Target shareholders could claim inadequacy of resources or management focus and lack of control, and seek recovery of earn out consideration through legal recourse

CVR in M&A Transactions
Advantages and Considerations

Advantages

- Reduces "up front" consideration acquiror must pay
  - Buyer provides some downside protection in exchange for relinquishing less upside participation
- Allows acquiror management time to realize synergies and market to recognize value creation
  - If successful in creating synergies and share price moves accordingly, acquiror avoids payment on CVR
  - Signals management confidence in future stock price performance
- Mechanism to bridge perceived value gap on a specific event
  - Adjuvant trial results
  - Pipeline productivity
- Useful where acquiror contributes assets or otherwise acquires controlling stake in target, but does not buy out all public shareholders
  - Allows minority to participate in upside from transaction without full buy out
  - Creates confidence that business will not be drained of value by controlling group

Considerations

- If stock performs below expectations, issuer will face economic loss on CVRs
- Timeframe to evaluate productivity of pipeline is unusually long for CVRs
- Target shareholders are not natural holders of CVRs
  - May not attribute 'fair' value to CVRs
  - Arbs tend to capture most gains associated with CVRs
  - Underscores poor interim performance
  - Can be highly dilutive, especially if stock settled
- May have P&L impact
- Potential impact on Buyer's stock price
  - Hedging activity by arbs (who buy CVRs and delta hedge with Buyer stock) may dampen appreciation of Buyer's stock price, especially with straight put (i.e., no floor) CVR

Francis / James Next Gen

Status Quo

- 2015 commercial agreement expires
- No standstill

Next Gen

- New commercial agreement beyond 2015
- Standstill in place
- Tax consolidation by James

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Considerations Regarding the Next Gen Scenario

80% James / 20% Independent Investors

Pros

- Provides cash payment to current public minority shareholders along with continued upside opportunity in James
  - Simpler than Francis Prime
- Potential for James to tax consolidate to partially achieve tax efficiency
- Opportunity to amend Affiliation and Commercial Agreement to address the concerns of both partners
- Maintains an independent stock listing to incentivize employees focused on creativity and innovation
- Addresses James concern of Francis outgrowing James

Cons

- Less control than full acquisition
  - New affiliation and commercial agreement key to preserving culture, but also addresses James objectives
- Less integration opportunities and fewer synergies likely than full acquisition
- Likely to be perceived as a "failure" by James to consummate a full acquisition
- Share liquidity and attractiveness to investors likely to be impacted

Appendix A: Additional CVR Information

CVR Regulatory and Listing Requirements
Overview

Registration Requirements

- The Securities and Exchange Commission (SEC) employs a five pronged test to determine whether CVRs issued as merger consideration to selling stockholders must be registered under the Securities Act of 1933, as amended
  - Granted to the selling stockholders as an integral part of the consideration for the proposed merger
  - Do not represent an ownership interest in the company (including the right to vote and receive dividends)
  - Non-transferable except by operation of law
  - Not be represented by any form of certificate or instrument
  - Any amount ultimately paid to the selling stockholders pursuant to the CVRs will not depend upon the operating results of the company

NYSE Listing Requirements

- NYSE Requirements
  - Certain standards regarding the size and earnings of the issuer
  - At least one million CVRs outstanding
  - At least 400 holders
  - An aggregate market value of the CVR s of at least $4 million
  - Must have a minimum life of one year
  - May be delisted if their aggregate market value falls below $1 million

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Examples of CVRs in Merger Transactions

Deal	KKR (Proposed)	Wesfarmers-Coles (2007)	Publicis-Saatchi & Saatchi (2000)	BNP-Paribas (1999)	Suez-Lyonnaise-Generale de Belgique (1998)	Viacom-Blockbuster (1994) (VCRs)	Viacom-Paramount (1994)
Maturity	■ 3rd anniversary of closing	■ Fourth anniversary of date of issue, but can be extended under certain circumstances (up to eight years)	■ 18 months	■ 3rd anniversary of closing	■ 2.5 years	■ 1st anniversary of closing	■ 1st anniversary of closing subject to 2 successive 1 year extensions at Viacom's option[1]
Strike / Floor (Stock Price at Closing)	\$ 20.00 / \$ 16.00 (TBD)	A\$ 43.92 / A\$35.14 (A\$32.9)	€ 43.20 / € 38.90 (€ 42.90)	€ 100.00 / € 80.00 (€ 76.50)	€ 167.70 / € 140.30 (€ 155.50)	\$ 48.00 / \$40.00 (\$ 38.75)	\$ 48.00 / \$36.00 (\$ 34.87)
Maximum Payout (% of Strike / Floor)	\$ 4.00 (20.0% / 25.0%)	A\$ 8.785 (20.0% / 25.0%)	€ 4.32 (10.0% / 11.1%)	€ 20.00 (20.0% / 25.0%)	€ 27.40 (16.3% / 19.5%)	\$ 5.00[2] (10.4% / 12.5%)	\$ 12.00 (25.0% / 33.3%)
Anti-Dilutive Adjustment	■ Yes	■ Yes	■ Yes	■ Yes	■ Yes	■ Yes	■ Yes
Registered/ Listed	■ Yes / No	■ Yes / Yes	■ Yes / Yes	■ Yes / Yes	■ Yes / Yes	■ Yes / Yes	■ Yes / Yes
Settlement	■ Cash or units	■ Ordinary Shares only	■ Cash only	■ Cash only	■ Cash only	■ Share of Viacom Class B Common Stock only	■ Cash or any Viacom registered security at Viacom's option
Averaging Period	■ 90 trading days	■ Two months	■ 10 business days	■ 20 business days	■ 90 trading days	■ 30-day trading yielding highest average price over 90-day period	■ 60 trading days

[1] *If extended, strike price increases to \$51–55.*
[2] *More complex structure which reduces maximum payoff vs. traditional CVRs.*

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Selected M&A Transactions with Provisions for CVRs

Out of Eight Expired CVRs, Four Caused No Additional Payment to the Issuer

Issue Date	Expiration Date	Target	Acquiror	Country of Target	Underlying	Attractive or Defensive CVR	Put Spread or Put Warrant	CVR Target Price	Implied Annual Growth Rate[1]	CVR Floor Price	Outcome
12-Sep-2000	06-Mar-2002	Saatchi & Saatchi	Publicis	UK	Publicis	Attractive	Put spread	€ 57.00	11.28%	€ 43.20	Still trading
28-Aug-1999	01-Jul-2002	Paribas	BNP	France	BNP	Attractive	Put spread	€ 100.00	8.14%	€ 80.00	Still trading. As of 12/31/99, BNP had bought back 1,004,894 CVRs on the open market at an average price of €4.4
01-Jun-1998	01-Jun-2001	Generale Bank	Fortis	Belgium	Fortis	Attractive	Put spread	€ 37.20	10.37%	€ 35.80	Still trading
23-Apr-1998	01-Jun-2000	AGF	Allianz	France	AGF	Defensive	Put warrant	€ 56.81	4.17%	-	46% of CVRs repurchased by Allianz in 20/11, outstanding redeemed for FF4 (€0.61) in 6/00
24-Dec-1997	01-Jun-2000	Worms	AGF	France	AGF	Attractive	Put warrant	€ 42.61	4.71%	-	CVR worth 0 at maturity
01-May-1997	01-May-1999	UAP	AXA	France	AXA	Attractive	Put spread	€ 61.94	16.85%	€ 49.23	CVR worth 0 at maturity
01-Jun-1995	01-Jun-1997	Spie	Schneider	France	Schneider	Attractive	Put spread	€ 41.34	21.66%	€ 35.82	CVR worth 0 at maturity
01-Oct-1994	01-Jan-1996	Rosario	Besnard	France	Rosario	Defensive	Put warrant	€ 35.19	5.44%	-	The CVRs were redeemed for FF23 (€3.64) in 1/96
01-Apr-1994	30-Dec-1996	Cie Royale Asturienne des Mines	FOCEP	Belgium	Cie Royale Asturienne des Mines	Defensive	Put warrant	€ 22.64	2.46%	-	CVR worth 0 at maturity
01-Jul-1994	01-Jul-1995 (extendable to 01-Jul-1997)	Paramount	Viacom	US	Viacom	Attractive	Put spread	7/95: $48 7/96: $51 7/97: $55	35.60%	7/95: $36 7/96: $37 7/97: $38	CVRs redeemed for $1.45 in 7/95
01-Sep-1989	01-Sep-1991 (extendable to 01-Sep-1992)	Marion Laboratories	Dow Chemical	US	Dow Chemical	Attractive	Put spread	9/91: $45.77 9/92: $50.23	28.72%	€ 30.00	CVRs redeemed for $11.19 in 9/91
Mean									13.58%		
Median									10.37%		

[1] *Over undisturbed price of underlying.*

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Select Healthcare Transactions with CVRs

CVRs based on Product Regulatory Approvals

Transaction Parties/ Filing Date	Transaction Consideration	Contingent Value Paid / Date	Contingent Value as % of Transaction	Contingent Rights Mechanism
Ligand Pharmaceuticals acquisition of Pharmacopeia 24-Sep-2008	Ligand will issue 17.6 million shares, subject to specified adjustments. At Ligand stock prices greater than $3.75 but not greater than $4.50, value of transaction is fixed at $66 million. At greater than $4.50, number of Ligand's shares issued to Pharmacopeia is reduced to 14.7 million. At prices below $3.00, value of transaction is fixed at $52.8 million, including some cash consideration at varying stock price levels. If price is below $2.38, the number of Ligand's shares issued to Pharmacopeia would not be greater than 18.0 million, and Pharmacopeia stockholders would receive cash of $10 million in the aggregate. Each share of Pharmacopeia common stock will be entitled to receive one contingent value right (CVR)	No; CVR period has not yet expired. Agreement expires 31-Dec-2011	21%	CVR Agreement provides for the payment of an aggregate of $15 million in cash payable to the holders of the CVRs if, on or prior to December 31, 2011, Ligand enters into a license or sale agreement related to DARA (as defined in the CVR Agreement) or any other agreement for the development, marketing or sale of DARA, or any option to enter into such agreement, with any party other than Bristol-Myers Squibb Company or any of its affiliates
Fresenius SE acquisition of APP Pharmaceuticals Inc 07-Jul-2008	$23 in cash per share, or a total value of $5.626bn, including the assumption of $940mm in liabilities and up to $970mm in contingent value rights. Given uncertainty of future EBITDA projections given new drug development, the buyer agreed to issue a CVR to APPX shareholders that has a contingent cash payout of up to $6 per share. The payout is based on the financial performance of certain newly developed drugs during a 3-year period following the acquisition	No; CVR period has not yet expired	Up to 17%	CVR payment under the CVR Indenture will be equal to (A) 2.5 times the excess of Holdco's aggregate Adjusted EBITDA (as defined in the CVR Indenture) over $1.2677 billion for the 3-year period beginning January 1, 2008 through December 31, 2010 divided by (B) the number of CVRs issued in the Merger. The maximum payment per CVR is $6.00, and the payment date for the CVRs is June 30, 2011. Any amounts due under the CVRs is expressly subordinated to certain "Senior Obligations" of Holdco, which senior obligations include the debt incurred to finance the Merger transaction and other credit facilities and other obligations of Holdco

Source: Company filings and press releases

Select Healthcare Transactions with CVRs
CVRs based on Product Regulatory Approvals

Transaction Parties/ Filing Date	Transaction Consideration	Contingent Value Paid / Date	Contingent Value as % of Transaction	Contingent Rights Mechanism
OSI Pharmaceuticals acquisition of Cell Pathways 10-Feb-2003	OSI offered 0.0567 common shares per Cell Pathways share and a 5-year Contingent Value Right. Based on OSI's closing stock price of $14.18 on 7-Feb-2003, the last full trading day prior to announcement, each Cell Pathways share was valued at $0.804	No; CVR period has not yet expired; The NDA for Aptosyn or CP461 has not yet been filed	41%	Each Contingent Value Right represents the right to receive an additional 0.04 common shares per Cell Pathways share in the event of a new drug application for either of Cell Pathway's 2 leading clinical candidates, Aptosyn (exisulind) or CP461
Antigenics acquisition of Aronex Pharmaceuticals 23-May-2001	Each share of Aronex common stock will be converted into 0.594 of a share of Antigenics common stock and one Contingent Value Right	No; Atragen was denied approval by FDA	1 - 2%	Each Contingent Value Right entitles its holders to between 0.0075 and 0.0125 of a share of Antigenics common stock in the event that a milestone is achieved by 6-Jul-2002. The milestone to be achieved is the receipt of final approval by the FDA of Aronex's NDA for Atragen. If Aronex achieves this milestone on or before 6-Jul-2002 and the merger transaction expenses are less than $4,500,000, each Contingent Value Right becomes the right to receive Antigenics common stock
Elan acquisition of Liposome 12-Apr-2000	Elan offered 0.385 American Depository Shares per Liposome share and up to $98 million in Contingent Value Payments. Based on Elan's closing stock price of $39.6875, each Liposome share was valued at $15.28	Yes; First payment occurred on 9-Apr-2001 for $54mm; Second payment of $44mm expired	13%	The Contingent Value Payments were conditioned upon the European Union's ("EU") approval of Evacet and Elan's success in licensing the product. The total value would range from $0 to $98 million and would terminate if the EU did not approve the product or other regulatory bodies issued adverse findings
Ligand Pharmaceuticals acquisition of Seragen 08-May-1998	Ligand paid 1,858,515 shares, valued at $13.99 per share, $4.0 million in cash, and up to $40 million in Contingent Value Rights	Yes; Payment of $37.1mm was made on 5-Aug-1999, $2.9mm was withheld	57%	Each Contingent Value Right was conditioned upon the final FDA clearance to market ONTAK. The additional consideration is payable, at Ligand's option, in cash and/or common stock within 6-months of final clearance assuming the milestone is achieved within 2-years of the transaction closing

Source: Company filings and press releases

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Other Transactions with CVRs

($ in millions)

Transaction Announced	Acquiror	Target	Transaction Value	Transaction Consideration
12-May-2008 (Pending)	GSC Acquisition Co.	Complete Energy Holdings LLC	$1,392.0	$440mm in GSC common stock, $50mm in mezzanine note, the assumption of an estimated $810mm in liabilities and up to $92.2mm in contingent value rights. Terms provide for the issuance of 5mm additional shares of GSC Acquisition to the current owners and stakeholders of Complete and its subsidiaries if GSC Acquisition's stock price reaches $14.50 per share, and 5mm additional shares if GSC Acquisition's stock price reaches $15.50 per share within five years. Complete Energy management would receive about 35% of those contingent shares
15-Jan-2008 (Pending)	Fortissimo Acquisition Corp.	Psyop Inc.	36.4	$10.14mm in cash, 3.337mm Fortissimo common shares valued at $19.36mm and up to $6.875mm in contingent value rights in shares or cash if the company meets certain performance targets. The 2008 targets are an EDITDA of $4.7mm on $31 million revenue and the 2010 targets are an EBITDA of $10mm on $59mm revenue. The company averaged 33.6% growth a year in 2004-06, and it posted an EBITDA of $3mm in January-September 2007
7-Sept-2007	Aldabra 2 Acquisition Corp.	Boise Inc. (paper and packaging assets of Boise Cascade, LLC)	1,625.0	$1.3bn in cash and $325mm in Aldabra common stock. Terrapin Partners and Boise Cascade entered into CVR agreements with certain investors such that the investors will receive payments in cash or shares in exchange for agreement to vote in favor of certain proposals recommended by the management of the company. Investors will receive the amount by which the price of the common stock one year from CVR issuance is less than $10.50 up to a maximum of $1.00 per CVR (paid in cash or shares at Terrapin/Boise's election)
2-Jul-2007	Wesfarmers	Coles	A$22,000.0	A$4.00 cash plus 0.2843 Wesfarmers share plus A$0.25 dividend for each Coles share (total consideration is 72% stock / 27% cash) and up to A$8.785mm in CVRs. CVRs are in the form of partially protected securities that provide some level of downside price protection. Holders may receive additional shares depending on 2 month VWAP of the security on the fourth anniversary date of issue (can be extended to 8 years in certain circumstances). If price is >$35.14 but <$43.92, holders receive up to 0.25 shares until total value of security is equal to $43.92; if price is <$34.14, holders receive 0.25 shares; if price is >$43.92, no additional shares are received

Source: Company filings and press releases

Goldman Sachs

Other Transactions with CVRs

($ in millions)

Transaction Announced	Acquiror	Target	Transaction Value	Transaction Consideration
24-Jan-2005	Monsanto	Seminis	$ 1,525.0	$1.4bn in cash and up to $125mm in contingent value rights. The CVR's were granted to Marinet Investment (MIL), a significant holder of co-investment rights in Seminis, and MIL was entitled to reduce the merger consideration it was to receive in exchange for up to $125mm, based on Seminis' attainment of certain sales targets over a 36 month period, ending 30-Sep-2007
01-Jun-2004	ViroLogic	ACLARA Biosciences	234.6	1.7 common shares and 1.7 contingent value rights with a potential payment of up to a sweetened $0.88 for each CVR, per ACLARA share. Based on VioLogic's closing stock price of $2.81 on May 31, the last full trading day prior to the announcement, each ACLARA share was valued at $4.77
07-Sep-2001	Hewlett-Packard	Indigo	716.0	18.455 guilders ($7.50/8.37 euros) in newly issued HP shares for every Indigo share held. Alternatively, shareholders could elect to receive 14.764 guilders ($6.0/6.7 euros) in newly issued shares, plus 1 contingent value right to receive up to 11.07 guilders ($4.50/5.03 euros) in profit-related cash payments in 2005 per Indigo share held
20-Nov-2000	France Telecom	Equant	1,000.0	2.596bn guilders ($1.00bn US) in cash and up to 6.66mm guilders ($2.565mm) in convertible value rights. Each preferred share had voting rights equal to one Equant ordinary share and was convertible into 1 Equant ordinary share five years after completion at a price of 259.6 guilders ($100) per share
17-Jul-2000	General Mills	Pillsbury *(Owned by Diageo)*	10,528.7	134mm common shares valued at $6.029bn and the assumption of $4.5bn in liabilities. The shares were valued based on General Mills' (GM) closing stock price of $44.99 on October 30, the last full trading day prior to the announcement of the amended terms. Diagio was required to sell 75% of GM's shares within 10 years of completion of the transaction and pay up to $670mm to GM 18 months after the transaction was completed, depending on the stock price at that time
20-Jun-2000	Publicis	Saatchi & Saatchi	1,799.6	5 pounds (7.894 euros/$7.56 in new ordinary shares per Saatchi & Saatchi share and between 1.38 and 1.83 CVRs per 100 SSP shares, subject to a collar agreement
16-Aug-1999	Markel	Terra Nova Holdings	603.4	B$13 ($13) in cash per share plus 0.07027 common shares per Terra Nova Holdings share held, valued at B$275.099mm ($275.099mm), and up to B$79.869mm ($79.869mm) in contingent value rights. The shares were valued based on Markel's closing stock price of B$155 ($155) on January 26, the last full trading day prior to the amendment
18-May-1998	Fortis	Generale de Banque	12,298.5	7 Fortis (FA) ordinary shares plus 13,770 francs ($376.2 US) in cash for every 3 Generale de Banque ordinary shares held and up to 7.769 mm francs ($.212 mil) in contingent value rights. The stock portion of the value was based on FA's closing stock price of 10,450 francs ($285.49) on June 4, the last full trading day prior to the announcement

Source: Company filings and press releases

Exhibit (c)(3)

Discussion Materials for Francis Special Committee

Goldman, Sachs & Co.
13-Oct-2008

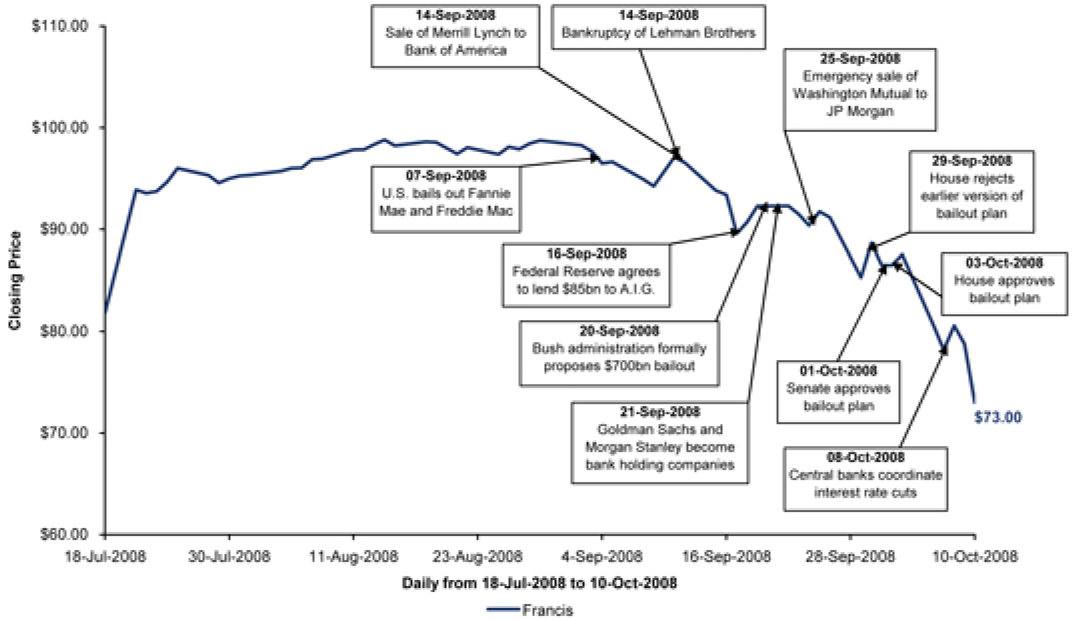
Table of Contents

I. Market Update

Goldman Sachs

Francis Stock Price Performance History

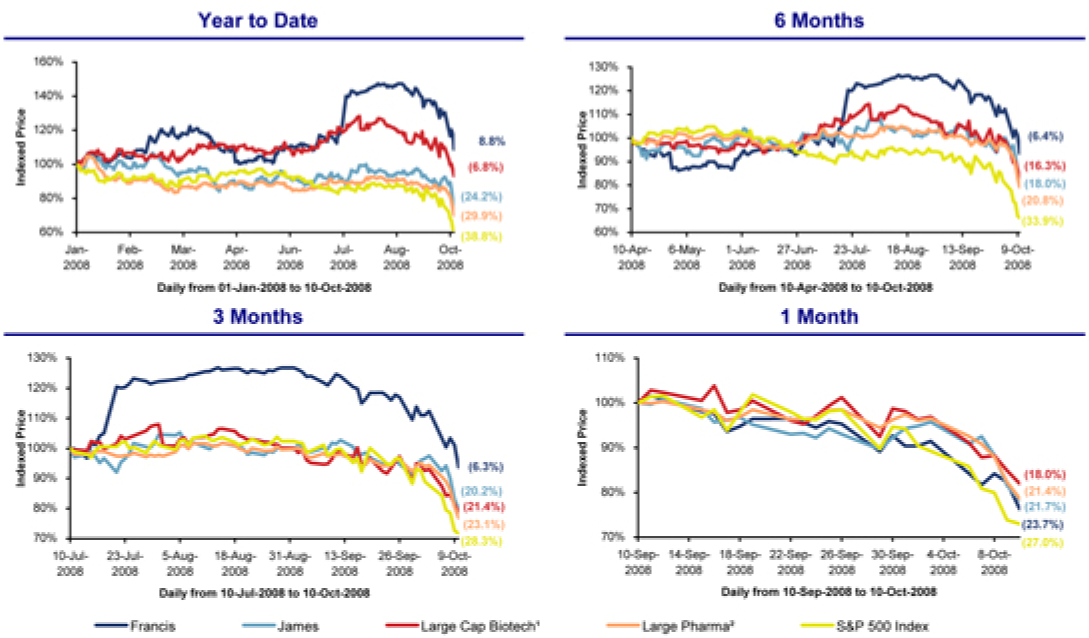
Since James Offer



Source: FactSet as of 10-Oct-2008

Goldman Sachs

Relative Stock Price Performance History



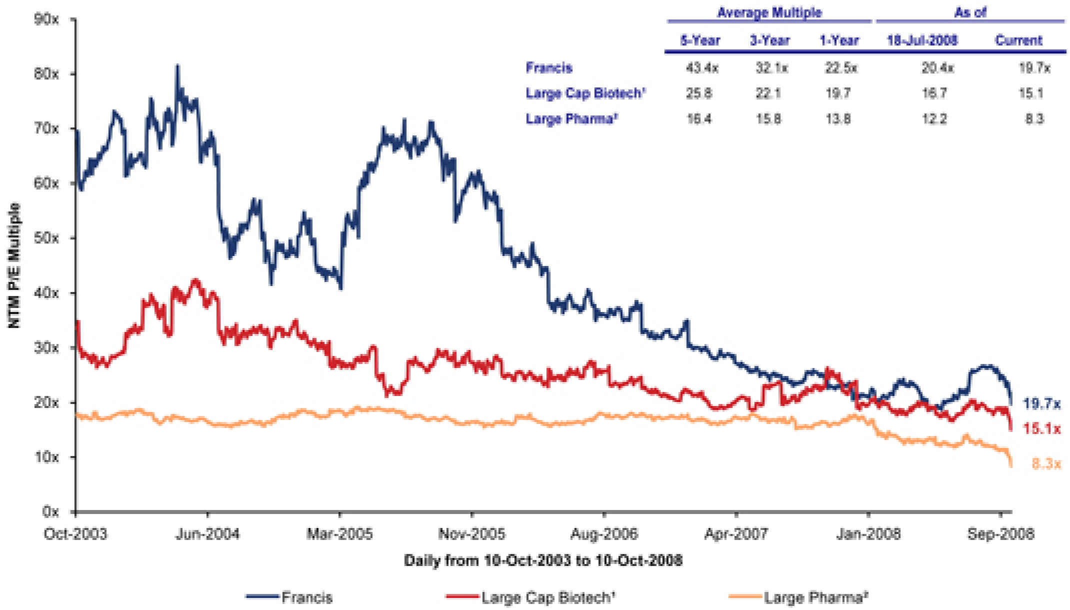
Source: FactSet as of 10-Oct-2008

[1] Large Cap Biotech Composite includes: Amgen, Biogen Idec, Celgene, Genzyme and Gilead.

[2] Large Pharma Composite includes: Abbott, AstraZeneca, Bayer, Bristol-Myers Squibb, Eli Lilly, GSK, JNJ, Merck, Novartis, Novo Nordisk, Pfizer, Sanofi-Aventis, Schering-Plough and Wyeth.

Next Twelve Months P/E Multiples

Last Five Years



	Average Multiple			As of	
	5-Year	3-Year	1-Year	18-Jul-2008	Current
Francis	43.4x	32.1x	22.5x	20.4x	19.7x
Large Cap Biotech[1]	25.8	22.1	19.7	16.7	15.1
Large Pharma[2]	16.4	15.8	13.8	12.2	8.3

Source: FactSet as of 10-Oct-2008
[1] *Large Cap Biotech Composite includes: Amgen, Biogen Idec, Celgene, Genzyme and Gilead.*
[2] *Large Pharma Composite includes: Abbott, Bayer, Bristol-Myers Squibb, Eli Lilly, JNJ, Merck, Novartis, Novo Nordisk, Pfizer, Sanofi-Aventis, Schering-Plough and Wyeth.*

Goldman Sachs

Francis Top Institutional Shareholders Composition

As of 30-Sep-2008		% O/S
James Holdings	587,189,380	55.81%
Non-James Holding	464,981,518	44.19
Shares Outstanding	1,052,170,898	

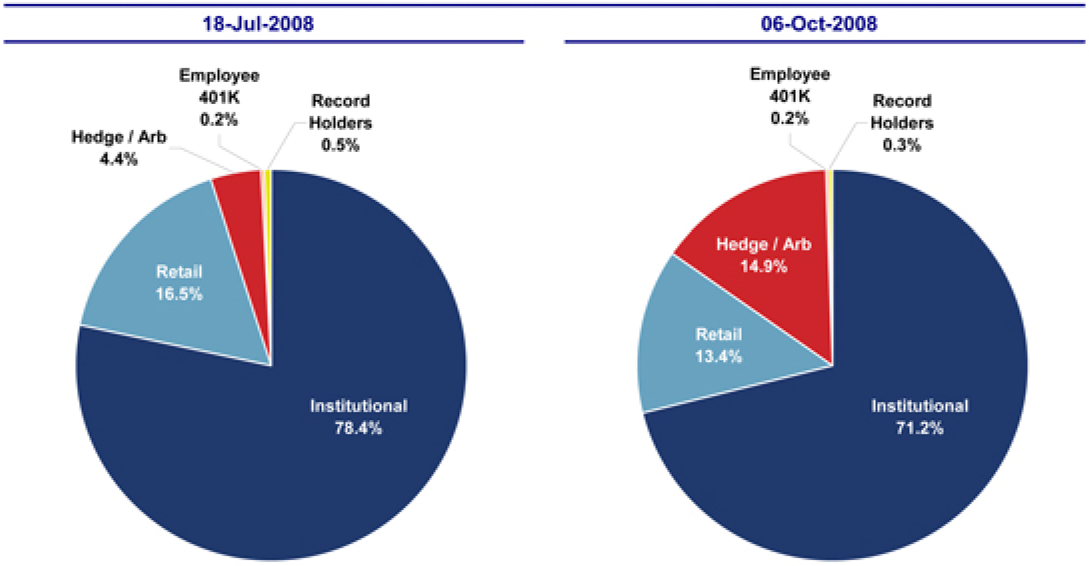
Top Shareholders (Sorted by "Current Position")

Rank	Institution Name	Position 18-Jul-2008 (Based on 30-Jun-2008 13F Filings)	Position 12-Sep-2008	Position 19-Sep-2008	Current Position 26-Sep-2008	Change vs. 19-Sep-2008	Change vs. 18-Jul-2008	Avg. Cost	Current %O/S of Total	Current %O/S of Minority
1	Fidelity Management & Research	41,806,660	41,006,660	41,006,660	41,006,660	0	(800,000)	$60.19	3.9%	8.8%
2	Marsico Capital	27,214,792	27,214,792	27,214,792	27,214,792	0	0	41.00	2.6	5.9
3	Capital Guardian Trust	19,376,837	17,876,837	17,876,837	16,876,837	(1,000,000)	(2,500,000)	78.24	1.6	3.6
4	Barclays Global	15,306,210	15,306,210	15,306,210	15,306,210	0	0	54.51	1.5	3.3
5	T. Rowe Price	17,256,456	15,256,456	15,256,456	15,256,456	0	(2,000,000)	74.79	1.4	3.3
6	AllianceBerstein (AXA)	17,112,145	15,594,000	14,376,000	14,376,000	0	(2,736,145)	70.26	1.4	3.1
7	Capital Research & Management	15,350,000	13,350,000	13,350,000	13,350,000	0	(2,000,000)	65.05	1.3	2.9
8	Wellington Management	15,892,746	11,892,746	11,892,746	10,892,746	(1,000,000)	(5,000,000)	65.48	1.0	2.3
9	Jennison Associates	10,779,817	10,779,817	10,779,817	10,779,817	0	0	66.39	1.0	2.3
10	Vanguard Group	9,056,406	9,056,406	9,056,406	9,056,406	0	0	59.11	0.9	1.9
11	ClearBridge Advisors	9,712,089	8,512,089	8,512,089	8,512,089	0	(1,200,000)	33.14	0.8	1.8
12	Delaware Inv. Advisors	9,135,610	8,147,746	8,147,746	8,147,746	0	(987,864)	78.18	0.8	1.8
13	Janus Capital Management	7,796,255	7,796,255	7,796,255	7,796,255	0	0	48.86	0.7	1.7
14	TIAA-CREF Asset Management	7,281,457	7,281,457	7,281,457	7,281,457	0	0	65.24	0.7	1.6
15	State Street Global Advisors	6,597,198	6,597,198	6,597,198	6,597,198	0	0	46.15	0.6	1.4
16	Goldman Sachs Asset Management	7,215,425	4,844,682	4,844,682	4,844,682	0	(2,370,743)	73.67	0.5	1.0
17	TCW Asset Management	4,703,902	4,703,902	4,703,902	4,703,902	0	0	39.65	0.4	1.0
18	Waddell & Reed	2,382,370	2,482,370	2,482,370	4,682,370	2,200,000	2,300,000	84.28	0.4	1.0
19	Columbia Management (BofA)	4,147,081	4,147,081	4,147,081	4,147,081	0	0	72.30	0.4	0.9
20	CalPERS	4,116,863	4,116,863	4,116,863	4,116,863	0	0	48.53	0.4	0.9
21	Walter Scott & Partners	4,070,591	4,070,591	4,070,591	4,070,591	0	0	69.76	0.4	0.9
22	Citadel	200,000	4,400,000	4,400,000	4,000,000	(400,000)	3,800,000	93.95	0.4	0.9
23	GE Asset Management	3,788,047	3,788,047	3,788,047	3,988,047	200,000	200,000	76.95	0.4	0.9
24	Credit Suisse	237,578	6,237,578	6,237,578	3,237,578	(3,000,000)	3,000,000	96.33	0.3	0.7
25	Bellevue Asset Management (BB Biotech)	3,192,536	3,192,536	3,192,536	3,192,536	0	0	81.66	0.3	0.7
	Top 25 Institutional Shareholders	263,729,071	257,652,319	256,434,319	253,434,319	(3,000,000)	(10,294,752)	$65.75	24.1%	54.5%

Source: Bloom Partners
Note: Capital Research Global and Capital World Investors have been combined. Walter Scott & Partners is Scotland-based investment firm.

Francis Top Institutional Shareholders Composition

Stockholder Composition by Voting Power as a % of Non-James Shares Outstanding



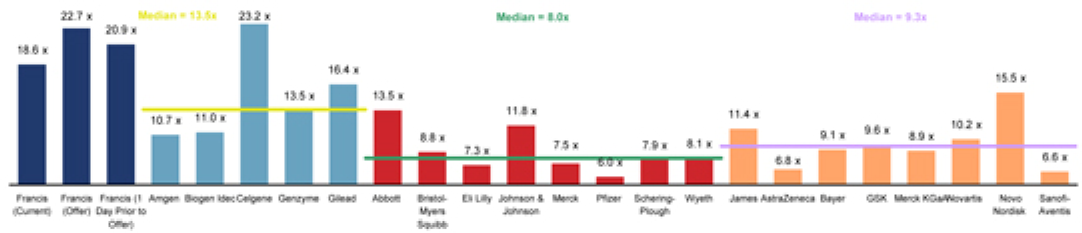
Source: Innisfree

Goldman Sachs

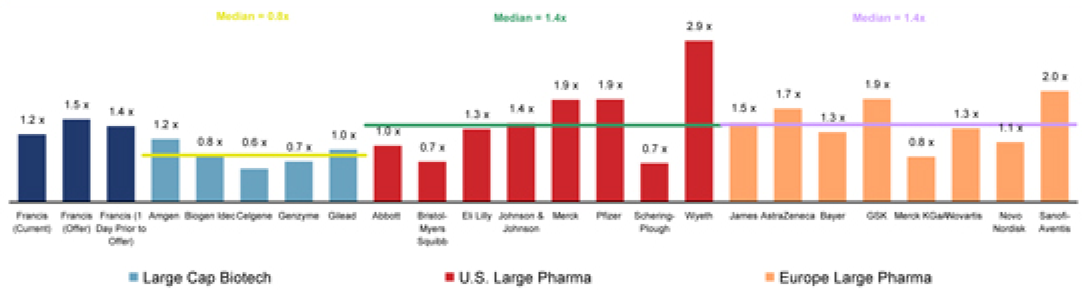
Comparison of Public Trading Multiples

Francis vs. Large Cap Biotech and Large Pharma

2009 P/E



2009 P/E/G



Source: IBES median estimates as of 10-Oct-2008

Goldman Sachs

Comparison of Selected Comparable Companies

Selected Biotech

($ in millions, except per share data)

	Price as of 10-Oct-2008	52-Week High	Diluted Market Cap	Diluted Enterprise Value	Long-Term EPS Growth	EV / LTM Sales	P/E 2008E	P/E 2009E	P/E to Growth 2008E	P/E to Growth 2009E
Francis	$73.00	73.9 %	$78,600	$74,602	15.0 %	6.2 x	21.2 x	18.6 x	1.4 x	1.2 x
1 - Month Average	88.34	89.4	95,781	91,783	15.0	7.7	25.6	22.5	1.7	1.5
3 - Month Average	91.97	93.1	99,947	95,949	15.0	8.0	26.7	23.5	1.8	1.6
Selected Biotech[1]										
Amgen	$48.58	73.7 %	$51,399	$53,929	9.3 %	3.7 x	11.1 x	10.7 x	1.2 x	1.2 x
Biogen Idec	42.78	51.8	12,417	11,971	13.0	2.8	12.1	11.0	0.9	0.8
Celgene	54.52	70.8	27,517	25,287	37.5	16.1	35.4	23.2	0.9	0.6
Genzyme	64.59	77.6	17,757	17,117	18.0	4.2	16.4	13.5	0.9	0.7
Gilead	37.47	65.6	35,948	34,780	17.0	7.8	19.0	16.4	1.1	1.0
High		77.6 %	$51,399	$53,929	37.5 %	16.1 x	35.4 x	23.2 x	1.2 x	1.2 x
Mean		67.9	29,008	28,617	19.0	6.9	18.8	15.0	1.0	0.9
Median		70.8	27,517	25,287	17.0	4.2	16.4	13.5	0.9	0.8
Low		51.8	12,417	11,971	9.3	2.8	11.1	10.7	0.9	0.6

Source: Latest publicly available financial statements, IBES median estimates and Wall Street research as of 10-Oct-2008

[1] Selected Biotech includes profitable companies with Market Cap >$10bn.

Goldman Sachs

Comparison of Selected Comparable Companies

Large Pharma

($ in millions, except per share data)

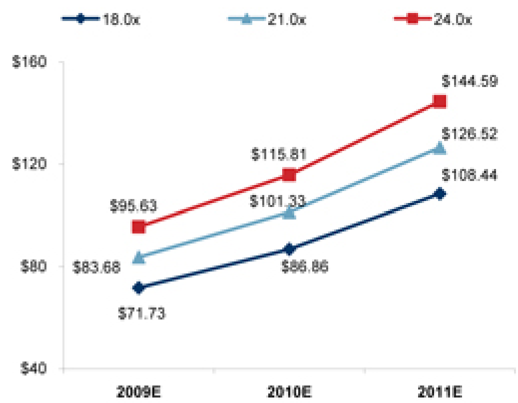
	Price as of 10-Oct-2008	52-Week High	Diluted Market Cap	Diluted Enterprise Value	Long-Term EPS Growth	EV / LTM Sales	P/E 2008E	P/E 2009E	P/E to Growth 2008E	P/E to Growth 2009E
Francis	$73.00	73.9 %	$78,600	$74,602	15.0 %	6.2 x	21.2 x	18.6 x	1.4 x	1.2 x
1 - Month Average	88.34	89.4	95,781	91,783	15.0	7.7	25.6	22.5	1.7	1.5
3 - Month Average	91.97	93.1	99,947	95,949	15.0	8.0	26.7	23.5	1.8	1.6
Large Pharma										
James	$132.00	67.9 %	$114,957	$109,965	7.8 %	2.3 x	12.8 x	11.4 x	1.6 x	1.5 x
Abbott	49.45	81.7	76,367	125,579	13.0	4.7	15.1	13.5	1.2	1.0
AstraZeneca	35.32	75.0	51,092	102,618	4.0	3.4	7.2	6.8	1.8	1.7
Bayer	54.84	62.1	41,918	111,581	7.1	2.5	10.0	9.1	1.4	1.3
Bristol-Myers Squibb	17.56	58.5	34,775	78,206	11.8	3.9	10.6	8.8	0.9	0.7
Eli Lilly	31.36	53.6	35,655	74,569	5.5	3.9	8.0	7.3	1.5	1.3
GSK	16.94	71.8	87,354	98,157	5.1	2.6	9.9	9.6	1.9	1.9
Johnson & Johnson	55.85	77.3	156,855	156,949	8.2	2.5	12.4	11.8	1.5	1.4
Merck	26.23	43.2	56,197	53,857	4.0	2.2	8.0	7.5	2.0	1.9
Merck KGaA	82.94	66.2	18,031	72,782	10.6	7.5	9.9	8.9	0.9	0.8
Novartis	42.84	73.5	96,984	142,633	7.6	3.5	11.3	10.2	1.5	1.3
Novo Nordisk	45.27	71.0	28,844	34,968	14.0	4.5	16.7	15.5	1.2	1.1
Pfizer	15.14	59.3	102,059	130,534	3.2	2.7	6.4	6.0	2.0	1.9
Sanofi-Aventis	51.22	57.0	66,846	72,777	3.3	1.9	7.1	6.6	2.2	2.0
Schering-Plough	13.36	40.6	21,718	71,220	11.0	5.0	8.4	7.9	0.8	0.7
Wyeth	29.89	60.4	39,856	78,401	2.8	3.4	8.5	8.1	3.1	2.9
	High	81.7 %	$156,855	$156,949	14.0 %	7.5 x	16.7 x	15.5 x	3.1 x	2.9 x
	Mean	63.7	64,344	94,675	7.4	3.5	10.1	9.3	1.6	1.5
	Median	64.2	53,644	88,279	7.3	3.4	9.9	8.8	1.5	1.4
	Low	40.6	18,031	34,968	2.8	1.9	6.4	6.0	0.8	0.7

Source: Latest publicly available financial statements, IBES median estimates and Wall Street research as of 10-Oct-2008

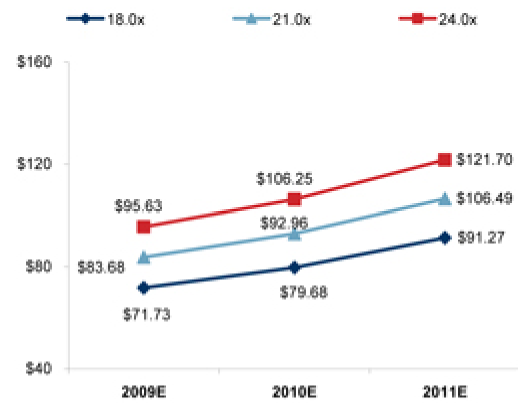
Present Value of Future Stock Price Analysis

Management Case, Adjusted for Share Repurchases at One Year Forward at 21.0x P/E[1]

Future Stock Price (Undiscounted)



Present Value at 9.0% Cost of Equity



	2009E	2010E	2011E	2008E - 2011E CAGR
EPS (Mgmt Forecast)[1]	$ 3.98	$ 4.83	$ 6.02	20.3%
IBES	$ 3.93	$ 4.47	$ 4.94[3]	12.6%

Source: Francis management projections and IBES

[1] Assumes cash of $3.9bn, $5.0bn and $6.7bn for 2009E-2011E, respectively, used to repurchase shares based on management projections. Price of share repurchase assumed to be 21.0x one year forward EPS per Management Case ($102.26, $129.17 and $147.78 for 2009E-2011E, respectively).

[2] 2011E IBES mean based on selected composite from Wall Street research.

[3] 2008E EPS per Francis management.

Goldman Sachs

Weighted Average Cost of Capital Analysis

As of 10-Oct-2008

Selected Comparables

Company	Net Debt (1)	Market Equity	Predicted Equity Beta (2)	Adjusted Asset Beta
Francis	-	$78,172	0.71	0.71
Amgen	$2,530	51,399	0.75	0.73
Biogen Idec	-	12,417	0.84	0.84
Celgene	-	24,800	0.89	0.89
Genzyme	-	17,352	0.82	0.82
Gilead	-	34,469	1.03	1.03
Mean			0.87	0.86
Median			0.84	0.84

WACC Calculation

Risk Free Rate (3)	4.4%
Median Comparables Asset Beta	0.84
Francis Total Debt/Market Equity (4)	3.2%
Assumed Tax Rate (5)	36%
Predicted Equity Beta	0.84
Equity Risk Premium (6)	5.1%
Cost of Equity	8.6%
Cost of Debt	5.0%
After-Tax Cost of Debt	3.2%
WACC	8.5%

WACC Sensitivity Table

	Equity Risk Premium (%)				
Equity Beta	4.6%	4.8%	5.1%	5.3%	5.6%
0.74	7.6%	7.8%	8.0%	8.2%	8.3%
0.79	7.8%	8.0%	8.2%	8.4%	8.6%
0.84	8.1%	8.3%	8.5%	8.7%	8.9%
0.89	8.3%	8.5%	8.7%	8.9%	9.1%
0.94	8.5%	8.7%	9.0%	9.2%	9.4%

Source: Company filings, Ibbotson and Bloomberg
(1) For levering and re-levering beta, assumed to be zero if net debt is negative.
(2) Bloomberg 5 year weekly predicted betas.
(3) Yield on 30-year 3.5% U.S. Treasury due 2028 as of 10-Oct-2008.
(4) Francis Total Debt/Market Equity as of 30-Jun-2008, fully diluted Market Cap as of 10-Oct-2008.
(5) Assumed tax rate per Francis management.
(6) U.S. Equity Risk Premium as of year-end 2007 per Ibbotson data.

Goldman Sachs

Discounted Cash Flow Analysis of Francis

Financial Sensitivities

2024 Terminal Year

Enterprise Value

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$88,115	$90,707	$93,669	$97,087	$101,074
9.5 %	94,890	98,061	101,721	105,990	111,036
9.0 %	102,518	106,437	111,010	116,414	122,899
8.5 %	111,064	115,963	121,753	128,701	137,193
8.0 %	120,461	126,666	134,113	143,214	154,590

Equity Value Per Share - Diluted

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$85.98	$88.26	$90.86	$93.87	$97.37
9.5 %	91.94	94.72	97.94	101.69	106.13
9.0 %	98.64	102.08	106.10	110.86	116.56
8.5 %	106.15	110.46	115.55	121.66	129.13
8.0 %	114.41	119.87	126.42	134.43	144.44

% of Enterprise Value in Terminal Value

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	40.9 %	42.6 %	44.4 %	46.4 %	48.5 %
9.5 %	43.6	45.4	47.4	49.5	51.8
9.0 %	46.5	48.5	50.6	52.9	55.4
8.5 %	49.8	51.9	54.2	56.6	59.3
8.0 %	53.5	55.8	58.2	60.9	63.8

Implied 2024 P/E[1]

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	9.7 x	10.4 x	11.2 x	12.2 x	13.2 x
9.5 %	10.4	11.2	12.1	13.2	14.4
9.0 %	11.1	12.0	13.1	14.4	15.9
8.5 %	12.0	13.0	14.3	15.8	17.6
8.0 %	13.0	14.2	15.7	17.6	19.9

Source: Financial projections and scenarios per Francis management as of 01-Aug-2008 and 26-Sept-2008
Note: Includes capitalized ESO expense and "marked to market" 2015 opt-in value. Assumes 1,056mm basic shares outstanding, as of 07-Aug-2008, and net cash of $4,650 million, as of 30-Jun-2008. Assumes cash flows discounted to 01-Jan-2009
[1] P/E as implied by Earnings Before Interest, After-tax

Goldman Sachs

Discounted Cash Flow Analysis of Francis

Financial Sensitivities

2018 Terminal Year

Enterprise Value

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$83,023	$86,566	$90,615	$95,287	$100,738
9.5 %	89,071	93,290	98,158	103,837	110,549
9.0 %	95,839	100,911	106,829	113,823	122,216
8.5 %	103,356	109,524	116,813	125,561	136,252
8.0 %	111,510	119,109	128,227	139,372	153,303

Equity Value Per Share - Diluted

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$81.47	$84.62	$88.18	$92.29	$97.08
9.5 %	86.82	90.53	94.81	99.80	105.70
9.0 %	92.77	97.23	102.43	108.58	115.96
8.5 %	99.38	104.80	111.21	118.90	128.30
8.0 %	106.54	113.23	121.25	131.05	143.31

% of Enterprise Value in Terminal Value

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	59.4 %	61.0 %	62.8 %	64.6 %	66.5 %
9.5 %	61.8	63.5	65.3	67.2	69.2
9.0 %	64.4	66.2	68.1	70.0	72.1
8.5 %	67.3	69.2	71.1	73.1	75.2
8.0 %	70.8	72.7	74.6	76.6	78.8

Implied 2024 P/E[1]

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	11.0 x	11.8 x	12.7 x	13.7 x	14.9 x
9.5 %	11.7	12.6	13.7	14.9	16.3
9.0 %	12.6	13.6	14.8	16.2	17.9
8.5 %	13.5	14.7	16.1	17.8	19.9
8.0 %	14.6	16.1	17.8	19.8	22.4

Source: Financial projections and scenarios per Francis management as of 01-Aug-2008 and 26-Sept-2008
Note: Includes capitalized ESO expense and "marked to market" 2015 opt-in value. Assumes 1,056mm basic shares outstanding, as of 07-Aug-2008, and net cash of $4,650 million, as of 30-Jun-2008. Assumes cash flows discounted to 01-Jan-2009
[1] P/E as implied by Earnings Before Interest, After-tax

II. Forecast and Analysis Methodology Consideration

Goldman Sachs

Review of Greenhill Presentation

Summary of Key Value Driving Differences

Metric	Greenhill	GS	Potential Delta (Per Share) [1]
Standalone			
2015 Opt-in Rights	Not included	Valued separately	~$3.15 per share
Forecast Tax Assumption	LRP effective tax rate until 2013, then held constant at 31.4%	36% trending to ~31% by 2018	$1.46 per share
Current Cash Balance	$6,337mm (includes long-term marketable securities but excludes restricted cash)	$7,125mm (includes long-term marketable securities and restricted cash)	$0.73 per share
Forecast	"June 2008 LRP" [2]	29-Sep-2008 Standalone Financial Model	$18.57 per share (all else constant to Greenhill assumptions)
Employee Stock Option Compensation	Integrated into cash flow buildup	Valued separately	($4.96) per share
Fully Diluted Shares Outstanding	1,086.6mm (static)	1,079.6mm (dynamic)	$0.55 per share (at $89 / share)
Transaction-related			
Inter-Company Loan	Not included	Considered	$1.18 to $9.85 per share [4] $2.66 to $22.19 per Minority share [4]
Long-Term Tax Benefit	Not included	Considered	$3.47 per share $7.82 per Minority share
Synergies	$4.76 - $5.39 per share - 0% perpetuity growth rate - 38% tax rate - Fully diluted shares	$11.38 - $12.89 per share - 0% perpetuity growth rate - 36% tax rate - Minority shares	$0.15 - $0.17 per share $6.30 - $7.14 per Minority share [3]

Source: Per Greenhill 09-Sept-2008 presentation

[1] *Assumes 1086.6mm diluted shares, unless otherwise noted. Assumes 3.0% perpetuity growth rate and 9.0% discount rate.*

[2] *Preliminary review indicates Greenhill may be using an earlier forecast.*

[3] *At 3.0% perpetuity growth rate, potential delta becomes $11.83 - $13.40 per minority share.*

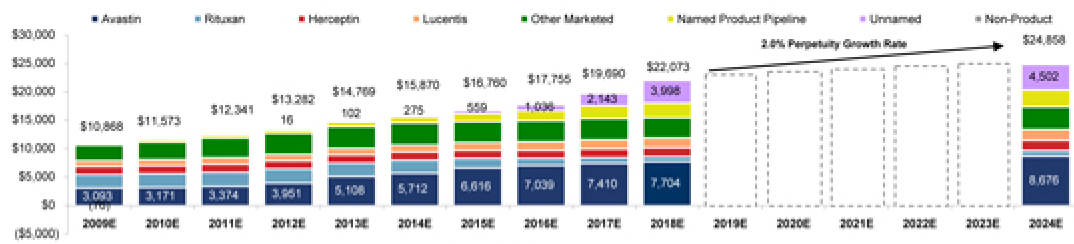
[4] *Based on $10 - 30 billion inter-company loan amount and 0% - 25% home jurisdiction tax rate.*

Comparison of Product Sales Breakdown

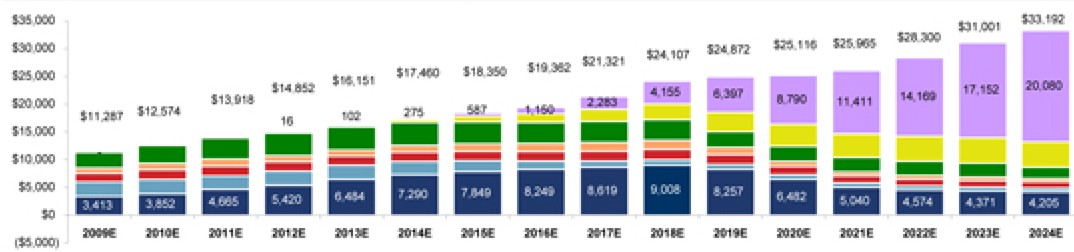
Greenhill vs Special Committee

($ in millions)

Greenhill (May 1st LRP)[1]



Special Committee



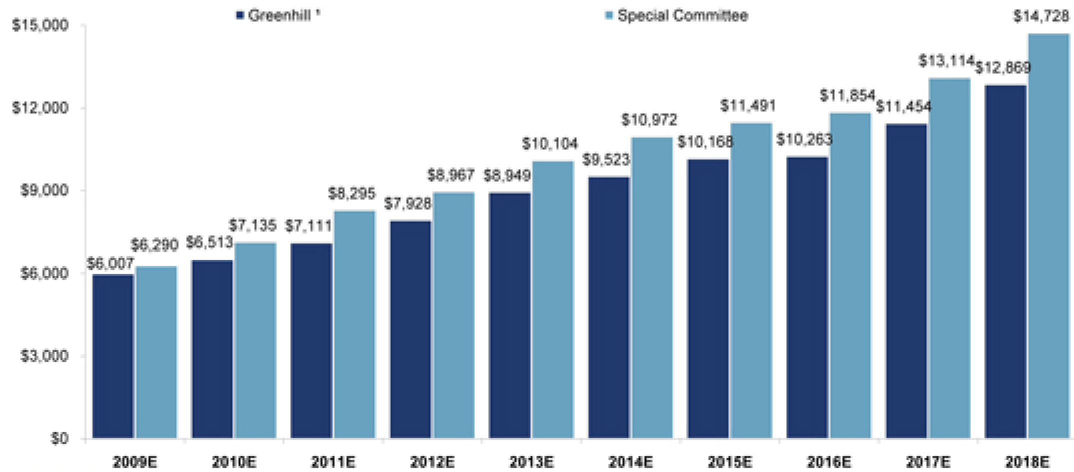
	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E
Difference in Total Product Sales	$419	$1,001	$1,577	$1,571	$1,382	$1,589	$1,590	$1,606	$1,631	$2,034	$2,358	$2,151	$2,541	$4,407	$6,631	$8,334
Cumulative Difference	419	1,420	2,997	4,568	5,950	7,540	9,129	10,735	12,366	14,401	16,759	18,910	21,451	25,858	32,489	40,823

Source: Per Francis management
[1] *Assumes 2.0% perpetuity growth rate beginning in 2018E, to reflect Greenhill presentation analysis.*

Comparison of Operating Income Projections

Greenhill vs Special Committee

($ in millions)



	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E
YoY Growth										
Greenhill [1]		8.4%	9.2%	11.5%	12.9%	6.4%	6.8%	0.9%	11.6%	12.4%
Special Committee		13.4%	16.3%	8.1%	12.7%	8.6%	4.7%	3.2%	10.6%	12.3%
Differences in Operating Income										
Annual	$283	$622	$1,184	$1,039	$1,155	$1,449	$1,323	$1,591	$1,660	$1,859
Total	283	905	2,089	3,128	4,283	5,732	7,055	8,645	10,305	12,164

Source: Per Greenhill 09-Sept-2008 presentation and Francis management
[1] *Excludes "Charge for Equity Settled Equity Compensation", per Greenhill 09-Sep-2008 presentation.*

Key Updates from LRP to SAF

- Since the construction of the LRP from which Greenhill is working, the Avastin franchise team has done a full review of the product forecast incorporating the latest clinical data and view of the market
  - Adjusted dose/mix assumption upward based on AVADO study
  - Updated timelines on adjuvant studies for the most likely timing rather than the last possible timing
- Reviewed the 20 largest revenue generating indications in the LRP between 2009 and 2018, of which 15 programs were updated for PTS and/or timing
  - Upward change on C-08 PTS from 50% to 65%
  - Update to Hera 2 year study
  - Lucentis adjustments to BME and RVO indications
- Two additional CMO contracts assumed
  - Absorbs cost associated with excess manufacturing infrastructure
- More manufacturing volume going to Singapore sooner, leading incrementally faster tax savings

Illustrative Comparison of FCF and Terminal Value

($ in millions, except per share data)

	Greenhill Analysis		GS Analysis		GS Analysis (2019 Terminal Year)	
	2018 FCF	$7,887	2018 FCF	$10,025	2018 FCF	$10,025
	2019 (Terminal Year)	135,388	2019	10,322	2019 (Terminal Year)	172,104
			2020	10,136		
			2021	10,101		
			2022	10,920		
			2023	11,905		
			2024	12,992		
			2025 (Terminal Year)	223,022		

	Greenhill Analysis	GS Analysis	GS Analysis (2019 Terminal Year)
Discount Rate	9.0%	9.0%	9.0%
Terminal Growth Rate	3.0%	3.0%	3.0%
Post 2018 "Terminal Value"	$135,388	$289,397	$172,104
Terminal Year Discount Factor	0.422		0.422
PV of FCF (Pre 2018)	$31,403	$41,951	$41,951
PV of Terminal Value (Post 2018)	**$57,189**	**$76,879**	**$72,699**
Total Shares[1]	1,086.6	1,090.1	1,088.4
PV Per Share of FCF (Pre 2018)	$28.90	$38.49	$38.55
PV Per Share of Terminal Value (Post 2018)	**$52.63**	**$70.53**	**$66.80**
Adjustments			
Capitalized ESO Expense Per Share	N/A	($10.33)	($10.35)
2015 Opt-in Value Per Share	N/A	$3.15	$3.16
Net Cash Per Share	$3.00	$4.27	$4.27
Total PV	**$84.54**	**$106.10**	**$102.43**

Source: Per Greenhill 09-Sep-2008 presentation and Francis management
[1] *Diluted shares for Greenhill per 09-Sep-2008 presentation. Diluted shares for GS calculated per options schedule provided by Francis management as of 07-Aug-2008*

Goldman Sachs

Greenhill Discounted Cash Flow Analysis of Francis

Financial Sensitivities

2018 Terminal Year

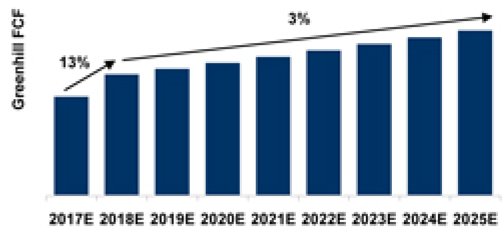
Equity Value Per Share - Diluted

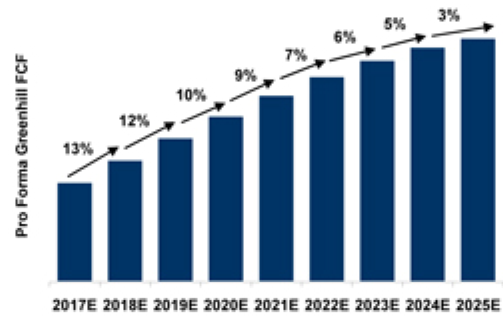
		Perpetuity Growth Rate					
		2.0 %	2.5 %	3.0 %	3.5 %	4.0 %	4.5 %
Discount Rate	10.0 %	$66.20	$68.77	$71.70	$75.08	$79.03	$83.69
	9.5 %	71.03	74.09	77.61	81.72	86.58	92.41
	9.0 %	76.58	80.25	84.54	89.60	95.67	103.10
	8.5 %	83.01	87.47	92.75	99.08	106.82	116.50
	8.0 %	90.54	96.04	102.64	110.71	120.80	133.76

Source: Per Greenhill 09-Sep-2008 presentation
Note: Assumes 1,086.6mm diluted shares outstanding and net cash of $3,263 million, as of 30-Jun-2008. Assumes cash flows discounted to 01-Jan-2009

Greenhill Terminal Growth Rate Considerations

Current	Ramp Down Approach[1]





Current

- Implies unrealistic drop-off in growth
- May not account for historical out performance of healthcare market growth[1]

Ramp Down Approach[1]

- Equivalent to a 4.3% perpetuity growth rate starting in 2018
- Potential to add \$15.97 per share when based on the Greenhill forecast analysis[2]
- Potential to add \$19.40 per share when based on the Special Committee forecast[2]

Source: Per Greenhill 09-Sept-2008 presentation and Francis management
[1] As articulated in a James Group Valuation Presentation dated 27-May-2008.
[2] Assumes 2018 terminal year and 9.0% discount rate.

Goldman Sachs

Comparison of Historical Performance vs LRP

EPS

	1997A	1998A	1999A	2000A	2001A	2002A	2003A	2004A	2005A	2006A	2007A	FCST 2008E
Basic EPS (As Reported)	$0.13	$0.18	($1.13)	($0.07)	$0.14	$0.06	$0.54	$0.74	$1.21	$2.01	$2.63	
Diluted EPS (As Reported)	$0.13	$0.18	($1.13)	($0.07)	$0.14	$0.06	$0.53	$0.73	$1.18	$1.97	$2.59	
(-) Non-Cash Gain on Acquisition			-	-	-	-	-	-	-	-	0.07	
(+) In-Process Research and Development Expense Related to Acquisition			-	-	-	-	-	-	-	-	0.07	
(+) Net Charges Related to Redemption, Acquisition and Special Items			1.35	0.32	0.24	0.40	0.03	0.10	0.10	0.09	0.10	
(+) Employee Stock-Based Compensation Expense			-	-	-	-	-	-	-	0.17	0.24	
(+) Cumulative Effect of Accounting Change			-	0.06	0.01	-	0.05	-	-	-	-	
ACTUAL (Per Francis Management)	$0.13	$0.18	$0.23	$0.30	$0.38	$0.46	$0.60	$0.83	$1.28	$2.23	$2.94	$3.46
2008 LRP Q2 Update 06/26 (2008-2010)												3.43
% of Actual (Per Francis Management)												99%
2008 LRP Q2 Update 05/29 (Avastin)												3.43
% of Actual (Per Francis Management)												99%
2008 LRP Q2 Update 05/01 (Lupus/PPMS)												3.42
% of Actual (Per Francis Management)												99%
2008 LRP Q1 Update 03/06 (mBC Approval)												3.40
% of Actual (Per Francis Management)												98%
2007 LRP (Dec)												3.39
% of Actual (Per Francis Management)												98%
2006 LRP (Dec)											2.92	3.79
% of Actual (Per Francis Management)											99%	110%
2005 LRP (Dec)										1.81	2.42	3.05
% of Actual (Per Francis Management)										82%	82%	88%
2004 LRP* (Dec)									1.08	1.29	1.58	1.88
% of Actual (Per Francis Management)									84%	58%	54%	54%
2003 LRP (Dec)								0.73	0.87	1.06	1.48	1.78
% of Actual (Per Francis Management)								88%	68%	48%	50%	51%
2002 LRP (Jun)							0.57	0.69	0.84	1.05	1.21	
% of Actual (Per Francis Management)							95%	83%	66%	47%	41%	
2001 LRP (Dec)						0.46	0.50	0.63	0.74	0.85		
% of Actual (Per Francis Management)						100%	83%	76%	57%	38%		
2000 LRP* (May)					0.36	0.42	0.51	0.65	0.88			
% of Actual (Per Francis Management)					95%	92%	85%	78%	68%			
1999 LRP* (Jun)				0.28	0.31	0.40	0.50	0.62				
% of Actual (Per Francis Management)				92%	83%	86%	82%	75%				
1998 LRP (Jun)			0.21	0.24	0.31	0.43	0.55					
% of Actual (Per Francis Management)			90%	78%	82%	94%	92%					
1997 LRP (Dec)		0.20	0.19	0.23	0.28	0.39						
% of Actual (Per Francis Management)		113%	84%	76%	73%	85%						
1996 LRP (Dec)	0.13	0.16	0.17	0.25	0.35							
% of Actual (Per Francis Management)	102%	91%	72%	83%	93%							

* Two-for-one stock split

Source: Francis management and public company filings
Note: Red percentage represents an LRP projection that was less conservative than actual results. Actual EPS (Per Francis Management) based on Non-GAAP diluted EPS

Goldman Sachs

Comparison of Historical Performance vs LRP

Operating Revenue

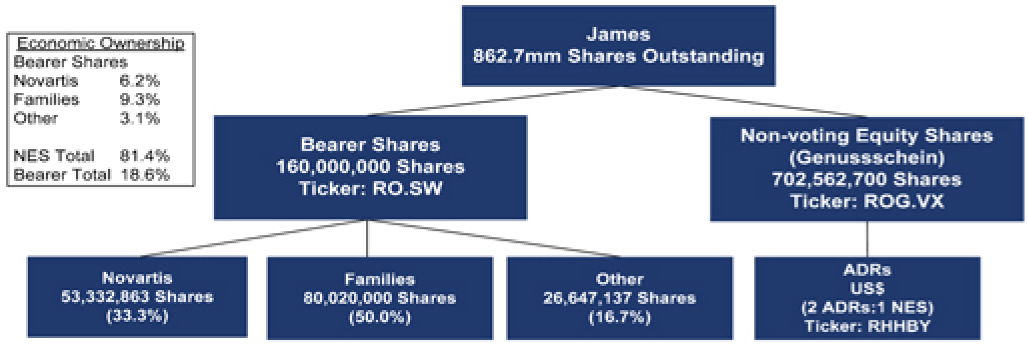
($ in millions)

	2002A	2003A	2004A	2005A	2006A	2007A	FCST [1] 2008E
ACTUAL	**$2,584**	**$3,300**	**$4,621**	**$6,633**	**$9,284**	**$11,724**	**$13,172**
2008 LRP Q2 Update 06/26 (2008-2010)							13,288
% of Actual							*101%*
2008 LRP Q2 Update 05/29 (Avastin)							13,228
% of Actual							*100%*
2008 LRP Q2 Update 05/01 (Lupus/PPMS)							13,212
% of Actual							*100%*
2008 LRP Q1 Update 03/06 (mBC Approval)							13,246
% of Actual							*101%*
2007 LRP (Dec)							13,049
% of Actual							*99%*
2006 LRP (Dec)						11,893	14,041
% of Actual						*101%*	*107%*
2005 LRP (Dec)					8,392	10,339	11,919
% of Actual					*90%*	*88%*	*90%*
2004 LRP (Dec)				5,873	6,866	7,819	8,827
% of Actual				*89%*	*74%*	*67%*	*67%*
2003 LRP (Dec)			4,198	5,048	5,978	7,192	8,332
% of Actual			*91%*	*76%*	*64%*	*61%*	*63%*
2002 LRP (Jun)		3,072	3,630	4,316	5,176	5,838	6,255
% of Actual		*93%*	*79%*	*65%*	*56%*	*50%*	*47%*
2001 LRP (Dec)	2,449	2,768	3,378	4,010	4,644	5,274	5,863
% of Actual	*95%*	*84%*	*73%*	*60%*	*50%*	*45%*	*45%*
2000 LRP (May)	2,322	2,663	3,076	3,611	4,080	4,504	4,919
% of Actual	*90%*	*81%*	*67%*	*54%*	*44%*	*38%*	*37%*

Source: Francis management, public company filings and IBES median estimates as of 04-Oct-2008
Note: Red percentage represents an LRP projection that was less conservative than actual results
[1] 2008E forecasted revenue based on IBES median estimates as of 04-Oct-2008

Appendix A: James Transaction Considerations

Overview of James Ownership Structure



Comments

- James has two forms of shares
  - 160,000,000 Bearer shares with full voting rights
    - The families, through shares held within the "Other" category, own a majority of the bearer shares
  - 702,562,700 Non-voting Equity Securities not part of the share capital and confer no voting rights, but have the same rights to participate in available earnings and proceeds from liquidation as Bearer shares
- James' ADR (American Depositary Receipt) is traded in U.S. Dollars with two James ADRs representing one underlying non-voting equity security
  - The James ADR program was initiated in 1992, obtained securities manual listing by Standard & Poor's Standard Corporation Records in 2006 and was upgraded to OTCQX International PremierQX in 2007
- Novartis is restricted from purchasing incremental additional shares without making a full acquisition offer for James

Source: James public filings and website

Transaction Analysis Assumptions

- James projections based on Wall Street research dated 10-Oct-2008
- Francis projections per Company management
- Assumes $2.0 billion in existing cash remains on the balance sheet
- James closing price of CHF148.20 (as of 10-Oct-2008)
- Achieves pre-tax synergies of $400 million in 2009E and $800 million in 2010E and 2011E
  - Excludes potential costs to achieve synergies
- 3.0% opportunity cost of cash
- CHF10 billion minimum cash balance for pro forma company
  - Excess free cash flow used to service debt
- Assumes no amortization of excess purchase price due to ability of James to account for it on the balance sheet directly as a reduction in equity (Francis already consolidated)
- Assumes transaction closes 31-Dec-2008

Sources and Uses for James Acquisition of the Minority

100% Cash

(Figures in millions)

Sources

	USD	CHF
Stock Consideration	$0	CHF 0
Francis Cash Used	$7,125	CHF 8,115
James Existing Cash Used	9,688	11,035
Total Cash Used	$16,813	CHF 19,150
Debt Issuance:		
Commercial Paper @ 2.54%	$15,000	CHF 17,085
Bonds ($) @ 6.00%	10,000	11,390
Bonds (EUR) @ 6.25%	2,515	2,864
Term Loan @ 4.29%	0	0
Total Debt Issuance	$27,515	CHF 31,339
Total Sources	**$44,328**	**CHF 50,489**

Uses

	USD	CHF
Transaction Size at $89.00 Per Share	$43,828	CHF 49,920
Financing / Transaction Fees	$500	CHF 570
Total Uses	**$44,328**	**CHF 50,489**

Note: Assumes $89.00 per share acquisition price. Illustrative pricing as of August 2008 and does not reflect current market conditions.

Goldman Sachs

Accretion / (Dilution) Analysis Including Synergies

100% Cash

(Figures in millions, except per share data)

Currency Exchange Rate (CHF / $)	1.14

	Standalone									
Price Per Share ($)		**$89.00**	**$95.00**	**$100.00**	**$105.00**	**$110.00**	**$115.00**	**$120.00**	**$125.00**	**$130.00**
Price Per Share (CHF)		**CHF 101.37**	**CHF 108.21**	**CHF 113.90**	**CHF 119.60**	**CHF 125.29**	**CHF 130.99**	**CHF 136.68**	**CHF 142.38**	**CHF 148.07**
Minority Shares (mm)		**492**	**496**	**499**	**501**	**503**	**505**	**507**	**508**	**510**
Equity Consideration - Diluted		**$43,828**	**$47,114**	**$49,855**	**$52,597**	**$55,338**	**$58,079**	**$60,821**	**$63,562**	**$66,304**
		CHF 49,920	**CHF 53,663**	**CHF 56,785**	**CHF 59,908**	**CHF 63,030**	**CHF 66,153**	**CHF 69,275**	**CHF 72,397**	**CHF 75,520**
Existing Cash Used		$16,813	$16,813	$16,813	$16,813	$16,813	$16,813	$16,813	$16,813	$16,813
		CHF 19,150	CHF 19,150	CHF 19,150	CHF 19,150	CHF 19,150	CHF 19,150	CHF 19,150	CHF 19,150	CHF 19,150
Incremental Financing Need		$27,515	$30,801	$33,542	$36,284	$39,025	$41,766	$44,508	$47,249	$49,991
		CHF 31,339	CHF 35,083	CHF 38,205	CHF 41,327	CHF 44,450	CHF 47,572	CHF 50,694	CHF 53,817	CHF 56,939
% Accretion / (Dilution) to James										
2009E		0.9%	(0.5)%	(1.4)%	(2.3)%	(5.3)%	(6.3)%	(7.2)%	(8.1)%	(9.1)%
2010E		4.0%	2.7%	1.9%	1.1%	(1.6)%	(2.4)%	(3.2)%	(4.1)%	(4.9)%
2011E		8.0%	6.9%	6.2%	5.5%	4.1%	3.3%	2.6%	1.8%	1.1%
Incremental Pre-tax Synergies to Breakeven										
2009E		NM	CHF 75	CHF 209	CHF 343	CHF 808	CHF 950	CHF 1,092	CHF 1,234	CHF 1,376
2010E		NM	NM	NM	NM	265	407	549	691	833
2011E		NM	NM	NM	NM	NM	NM	NM	NM	NM
Pro Forma EPS Growth	Standalone									
2008E - 2012E	12.3%	14.8%	14.6%	14.4%	14.2%	14.1%	13.9%	13.8%	13.6%	13.4%
Pro Forma P/E to Breakeven										
2009E	11.2x	11.1x	11.3x	11.4x	11.5x	11.9x	12.0x	12.1x	12.2x	12.4x
2010E	10.0x	9.7x	9.8x	9.9x	9.9x	10.2x	10.3x	10.4x	10.5x	10.6x
Implied Pro Forma PEG										
2009E	0.9x	0.8x	0.8x	0.8x	0.8x	0.8x	0.9x	0.9x	0.9x	0.9x
2010E	0.8x	0.7x	0.7x	0.7x	0.7x	0.7x	0.7x	0.8x	0.8x	0.8x

Note: Assumes cash consideration financed with all but $2.0 billion in existing cash and the remainder in new debt. Assumes 3.0% opportunity cost of cash. Assumes pre-tax synergies of $400 million in 2009E and $800 million in 2010E and 2011E. Standalone EPS growth per Wall Street research. Analysis does not include potential tax benefits James may realize.

Exhibit (c)(4)

Goldman Sachs

Discussion Materials for Francis Special Committee

Goldman, Sachs & Co.
03-Nov-2008

Goldman Sachs

Table of Contents

I. Update to Financial Analysis

Summary Comparison of Francis Financial Analysis

Presentation Date

12-Aug-2008 | **29-Sep-2008** | **03-Nov-2008**

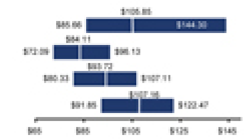
Standalone Analysis (Price Per Share)

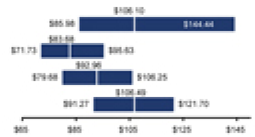
DCF

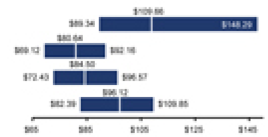
PV of Future Stock Price (2009)

PV of Future Stock Price (2010)

PV of Future Stock Price (2011)







Comments:

12-Aug-2008:

- Based on SAF v1
- 8 - 10% discount rate
- 2 - 4% perpetuity growth on DCF
- Includes 2015 opt-in value and capitalized ESO expense

PV of Future Stock Price:
- 18x, 21x, and 24x multiples applied
- 9% discount rate

29-Sep-2008:

- Based on SAF v1 modified for addition of restricted cash and HERA 2-year interim PTS for Q42008
- Same methodology as August

PV of Future Stock Price:
- Same methodology as August

03-Nov-2008:

- Based on SAF v2
- Same methodology as August, modified for mid-year convention

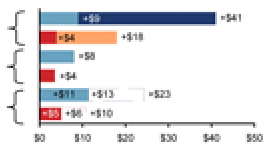
PV of Future Stock Price:
- Same methodology as August

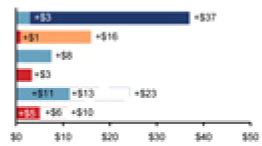
Additional Transaction-Related Items (Per Minority Share / Per Total Share)

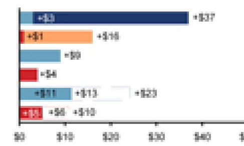
Inter-Company Loan

Long-Term Tax Benefit

Synergies







Market Data [1]	12-Aug-2008	29-Sep-2008	03-Nov-2008
Francis Stock Price	$96.95	$91.19	$82.75
Francis 2009 P/E	24.7 x	23.2 x	21.1 x
Large Cap Biotech 2009 P/E [2]	16.5 x	16.9 x	14.8 x
Large Pharma 2009 P/E [3]	11.9 x	10.9 x	9.6 x

Source: Francis management projections, IBES median estimates and Wall Street research

[1] *Market data as of 08-Aug-2008, 26-Sep-2008 and 30-Oct-2008, respectively.*

[2] *Large Cap Biotech includes: Amgen, Biogen Idec, Celgene, Genzyme and Gilead.*

[3] *Large Pharma includes: Abbott, AstraZeneca, Bayer, Bristol-Myers Squibb, Eli Lilly, GSK, JNJ, Merck, Novartis, Novo Nordisk, Pfizer, Sanofi-Aventis, Schering-Plough and Wyeth.*

Review of Key Management Projections

Key Changes From SAF v1 that Impact Financial Analysis

Near-term

- – BeTa missed primary endpoint (PTS of 67.5% in SAF v1)
- ↔ HERA 2 year study interim look passed (20% PTS in SAF v1) - removed possibility of near-term revenues, but 40% PTS for success at the final read out remains in 2011
- – Expected return on cash reduced for greater conservatism and general economic environment
- – Raptiva sales forecast reduced based on the reported case of PML
- – C-08 interim look passed – PTS adjusted to 61% (was 65% PTS in SAF v1)
- – PTS for APO2L in NSCLC reduced to 27% based on interim Phase II data (was 55% in SAF v1)
- \+ CATT outcomes: 1) 27% PTS Lucentis superior; 2) 22% PTS (vs. 60% in v1) Avastin equivalent and least costly alternative (LCA) issued; 3) 51% PTS (vs. 13%) Avastin equivalent, no LCA issued
- – Avastin price increases begin in mid-2011 (previously 2010) and are removed prospectively in the event adjuvant breast is successful (was 3% price increase per year in SAF v1)

Long-term

- – Greater FOB competition due to size of expected Avastin market
- \+ Ratio of ex-US sales to US sales set to 1:1 for future molecules (from approximately 2/3 to 1 in SAF v1)

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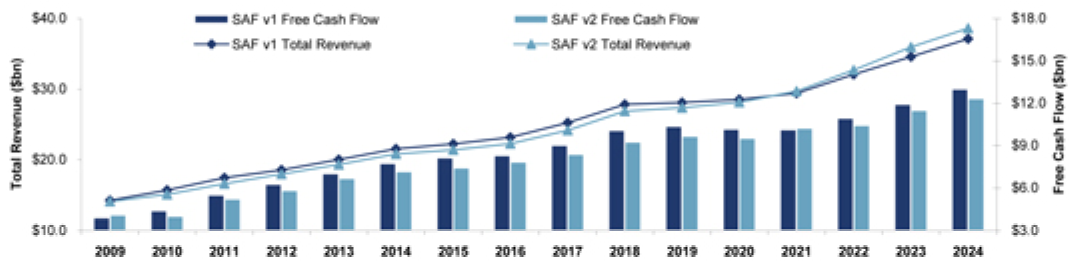
Comparison of Francis Management Projections

SAF v1 and SAF v2

($ in billions, except per share data)

Total Revenue and Free Cash Flow



Earnings Per Share

Source: Francis management projections as of 01-Aug-2008 and 31-Oct-2008

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Summary Management Forecast – SAF v2

2009E – 2015E

($ in millions, except per share data)

	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2009E - 2012E CAGR	2009E - 2015E CAGR
Revenues:									
Avastin Base Case	$3,378	$3,736	$4,303	$5,036	$5,900	$6,521	$6,880	14.2%	12.6%
Rituxan	2,575	2,664	2,635	2,725	2,759	2,649	2,242	1.9%	(2.3)%
Herceptin	1,470	1,585	1,663	1,711	1,755	1,748	1,740	5.2%	2.9%
Lucentis	966	1,127	1,301	1,344	1,456	1,633	1,781	11.6%	10.7%
Other Named Products and Pipelin	2,762	3,119	3,556	3,784	3,923	4,326	4,787	11.1%	9.6%
Unnamed Base Case	-	-	-	25	27	126	260		
Non-Product	73	85	175	157	224	331	357		
Product Sales	$11,224	$12,316	$13,633	$14,782	$16,044	$17,333	$18,046		
Royalties	2,501	2,465	2,617	2,681	2,723	2,809	2,551		
Contract & Other	373	289	342	497	563	660	805		
Total Revenue	**$ 14,099**	**$ 15,070**	**$ 16,591**	**$ 17,960**	**$ 19,331**	**$ 20,802**	**$ 21,403**	8.4%	7.2%
Cost and Expenses:									
Cost of Sales	$1,541	$1,793	$1,871	$1,803	$1,830	$1,997	$2,022		
R&D	2,820	3,014	3,318	3,592	3,866	4,160	4,281		
MSG&A	2,230	2,179	2,313	2,424	2,492	2,692	2,829		
Profit Sharing	1,344	1,531	1,644	1,665	1,556	1,630	1,621		
Total Cost & Exp.	**$7,934**	**$8,517**	**$9,146**	**$9,485**	**$9,745**	**$10,480**	**$10,753**		
Operating Income	**$6,165**	**$6,553**	**$7,445**	**$8,475**	**$9,586**	**$10,322**	**$10,650**	11.2%	9.5%
EBITDA	**$6,816**	**$7,233**	**$8,050**	**$9,073**	**$10,185**	**$10,929**	**$11,266**	10.0%	8.7%
Other Income, Net	127	215	368	492	494	530	587		
Earnings (Pre-Tax)	**$6,292**	**$6,767**	**$7,813**	**$8,968**	**$10,081**	**$10,852**	**$11,237**	12.5%	10.1%
Taxes	2,266	2,301	2,448	2,714	3,012	3,232	3,340		
Net Income	**$4,026**	**$4,467**	**$5,365**	**$6,253**	**$7,069**	**$7,620**	**$7,898**	15.8%	11.9%
WASO	1,051	1,017	978	943	903	865	847		
EPS	**$3.83**	**$4.39**	**$5.48**	**$6.63**	**$7.83**	**$8.81**	**$9.33**	**20.1%**	**16.0%**
Growth and Margins Analysis									
Revenue Growth	-	6.9 %	10.1 %	8.2 %	7.6 %	7.6 %	2.9 %		
R&D as % of Revenue	20.0	20.0	20.0	20.0	20.0	20.0	20.0		
MSG&A as % of Revenue	15.8	14.5	13.9	13.5	12.9	12.9	13.2		
EBIT Margin	43.7	43.5	44.9	47.2	49.6	49.6	49.8		
EBITDA Margin	48.3	48.0	48.5	50.5	52.7	52.5	52.6		
EPS Growth	-	14.6	24.8	20.9	18.1	12.6	5.9		
Selected Balance Sheet Metrics									
Cash & Equivalents [1]	$7,106	$5,819	$7,395	$8,150	$8,950	$10,250	$16,000		
Total Debt	2,268	1,755	1,741	1,724	1,705	1,683	658		
Selected Cash Flow Metrics									
Depreciation & Amortization	$651	$680	$605	$597	$599	$607	$616		
Capital Expenditures	(546)	(560)	(620)	(600)	(554)	(545)	(593)		
(Increase) / Decrease in Working Capital	48	(443)	138	(76)	(70)	(133)	(74)		

Source: Francis management projections as of 31-Oct-2008
[1] *Includes short-term investments*

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Cash Flow Analysis – SAF v2

($ in millions)

	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	'09E - '15E CAGR	'15E - '24E CAGR	'09E - '24E CAGR
Revenue	$14,099	$15,070	$16,591	$17,960	$19,331	$20,802	$21,403	$22,268	$24,162	$26,892	$27,374	$28,145	$29,720	$32,689	$35,970	$38,639	7.2%	6.8%	7.0%
Operating Income	$6,165	$6,553	$7,445	$8,475	$9,586	$10,322	$10,650	$11,134	$12,367	$14,093	$14,230	$13,955	$14,426	$15,980	$17,768	$19,398	9.5%	6.9%	7.9%
Taxes	(2,221)	(2,228)	(2,332)	(2,565)	(2,864)	(3,074)	(3,165)	(3,323)	(3,753)	(4,336)	(4,232)	(4,223)	(4,387)	(4,953)	(5,507)	(6,012)			
Unlevered Net Income	$3,944	$4,325	$5,113	$5,910	$6,722	$7,248	$7,485	$7,811	$8,615	$9,758	$9,998	$9,733	$10,039	$11,027	$12,261	$13,386	11.3%	6.7%	8.5%
D&A	$651	$680	$605	$597	$599	$607	$616	$616	$616	$629	$635	$660	$648	$644	$657	$684			
CapEx	(546)	(560)	(620)	(600)	(554)	(545)	(593)	(647)	(640)	(716)	(688)	(722)	(782)	(808)	(833)	(820)			
(Increase) / Decrease in Working Capital	48	(443)	138	(76)	(70)	(133)	(74)	75	(201)	(401)	(274)	(146)	344	(415)	(571)	(903)			
Unlevered Free Cash Flow	$4,097	$4,002	$5,235	$5,831	$6,697	$7,177	$7,434	$7,855	$8,389	$9,270	$9,671	$9,524	$10,249	$10,449	$11,515	$12,347	10.4%	5.8%	7.6%
Tax Rate	36.0%	34.0%	31.3%	30.3%	29.9%	29.8%	29.7%	29.8%	30.3%	30.8%	29.7%	30.3%	30.4%	31.0%	31.0%	31.0%			
SAF v1																			
Unlevered Free Cash Flow	$3,913	$4,403	$5,512	$6,266	$7,030	$7,741	$8,157	$8,309	$9,032	$10,080	$10,376	$10,182	$10,141	$10,956	$11,940	$13,025	13.0%	5.3%	8.3%
Difference	184	(401)	(277)	(435)	(333)	(564)	(723)	(455)	(643)	(811)	(705)	(658)	108	(508)	(425)	(678)			
Cumulative Difference	184	(216)	(493)	(929)	(1,262)	(1,826)	(2,549)	(3,003)	(3,646)	(4,457)	(5,162)	(5,820)	(5,712)	(6,220)	(6,645)	(7,323)			

Source: *Francis management projections as of 31-Oct-2008*

Discounted Cash Flow Analysis of Francis

Key Assumptions

- Discounted Cash Flow analysis provides a framework to evaluate the ongoing performance of the business, but should be considered in a broader context of approaches (e.g., comparable transaction and trading multiples)
- Projections from 2009 to 2024 provided by Francis Management as of 01-Aug-2008 and 31-Oct-2008
  - Projections by product were provided for Avastin, Rituxan, Herceptin, Lucentis as well as for the pipeline
- Assumes 1,056mm basic shares outstanding, as of 07-Aug-2008
  - Current options outstanding included in share count by the treasury stock method
  - Options schedule provided by Francis management as of 07-Aug-2008
- Financial Sensitivity Analysis:
  - Discount rates evaluated using a range of 8.0% - 10.0% based on WACC analysis
  - Terminal value evaluated using perpetuity growth rate method using a range of 2.0% - 4.0%
    - Implied P/E terminal multiple also evaluated
- Assumes net cash of $7 billion as of 31-Dec-2008, per Francis management
- Assumes capital expenditures of $820mm and depreciation and amortization of $684mm in 2024 terminal year, per Company management (assumes normalization in the terminal year)
- Assumes tax rate trends from 36% in 2009 to 31% in 2024 terminal year per management forecast
- Assumes cash flows discounted back to 01-Jan-2009, using mid-year convention
- Analysis includes impact of:
  - Future employee stock options expense: Assumes $328mm in after-tax ESO expense in 2009 with a six percent annual growth rate
  - Changes to James / Francis marketing agreement post 2015 per management guidance on expected market rate terms: "Marked to market" 2015 opt-in value derived from discounting projected product royalties from large and small molecules in the unnamed pipeline beginning in 2016, with a three percent perpetuity growth rate

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Discounted Cash Flow Analysis of Francis – SAF v2

Financial Sensitivities

2024 Terminal Year and Cash Flows Discounted to 01-Jan-2009

Enterprise Value

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$89,586	$92,198	$95,183	$98,627	$102,645
9.5 %	96,438	99,627	103,306	107,599	112,672
9.0 %	104,182	108,113	112,700	118,122	124,627
8.5 %	112,897	117,800	123,595	130,549	139,048
8.0 %	122,539	128,735	136,171	145,258	156,618

Equity Value Per Share - Diluted

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$89.34	$91.64	$94.26	$97.29	$100.82
9.5 %	95.36	98.16	101.40	105.17	109.63
9.0 %	102.17	105.62	109.66	114.42	120.15
8.5 %	109.83	114.14	119.24	125.35	132.83
8.0 %	118.31	123.76	130.30	138.29	148.29

% of Enterprise Value in Terminal Value

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	40.6 %	42.2 %	44.0 %	46.0 %	48.1 %
9.5 %	43.1	44.9	46.9	49.0	51.3
9.0 %	45.9	47.9	50.0	52.3	54.8
8.5 %	49.0	51.1	53.4	55.9	58.6
8.0 %	52.5	54.8	57.3	60.0	62.9

Implied 2024 P/E[1]

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	9.8 x	10.5 x	11.3 x	12.2 x	13.3 x
9.5 %	10.4	11.2	12.2	13.2	14.5
9.0 %	11.2	12.1	13.2	14.4	15.9
8.5 %	12.0	13.1	14.4	15.9	17.7
8.0 %	13.0	14.3	15.8	17.6	19.9

Source: Financial projections and scenarios per Francis management as of 31-Oct-2008
Note: Includes capitalized ESO expense and "marked to market" 2015 opt-in value. Assumes 1,056mm basic shares outstanding, as of 07-Aug-2008, and net cash of $7 billion, as of 31-Dec-2008. Assumes cash flows discounted to 01-Jan-2009
[1] P/E as implied by Earnings Before Interest, After-tax

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Discounted Cash Flow Analysis of Francis

Comparison of August (SAF v1) and November (SAF v2) Analysis

2024 Terminal Year and Cash Flows Discounted to 01-Jan-2009

As of 03-Nov-2008 (SAF v2)

Enterprise Value

Discount Rate	Perpetuity Growth Rate: 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$89,586	$92,198	$95,183	$98,627	$102,645
9.5 %	96,438	99,627	103,306	107,599	112,672
9.0 %	104,182	108,113	112,700	118,122	124,627
8.5 %	112,897	117,800	123,595	130,549	139,048
8.0 %	122,539	128,735	136,171	145,258	156,618

Equity Value Per Share - Diluted

Discount Rate	Perpetuity Growth Rate: 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$89.34	$91.64	$94.26	$97.29	$100.82
9.5 %	95.36	98.16	101.40	105.17	109.63
9.0 %	102.17	105.62	109.66	114.42	120.15
8.5 %	109.83	114.14	119.24	125.35	132.83
8.0 %	118.31	123.76	130.30	138.29	148.29

As of 12-Aug-2008 (SAF v1)

Enterprise Value

Discount Rate	Perpetuity Growth Rate: 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$88,539	$91,137	$94,107	$97,533	$101,531
9.5 %	95,338	98,518	102,186	106,467	111,525
9.0 %	102,993	106,923	111,507	116,925	123,427
8.5 %	111,571	116,483	122,288	129,253	137,767
8.0 %	121,004	127,225	134,691	143,815	155,221

Equity Value Per Share - Diluted

Discount Rate	Perpetuity Growth Rate: 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$85.66	$87.95	$90.56	$93.57	$97.08
9.5 %	91.64	94.43	97.66	101.42	105.86
9.0 %	98.37	101.82	105.85	110.61	116.33
8.5 %	105.91	110.22	115.33	121.45	128.94
8.0 %	114.20	119.67	126.24	134.26	144.30

Source: Financial projections and scenarios per Francis management as of 31-Oct-2008
Note: Includes capitalized ESO expense and "marked to market" 2015 opt-in value. Assumes 1,056mm basic shares outstanding, as of 07-Aug-2008, and net cash of $7 billion, as of 31-Dec-2008.
Assumes cash flows discounted to 01-Jan-2009

Avastin C-08 Assumptions

Base Case, C-08 Upside Case and C-08 Downside Case

($ in millions)

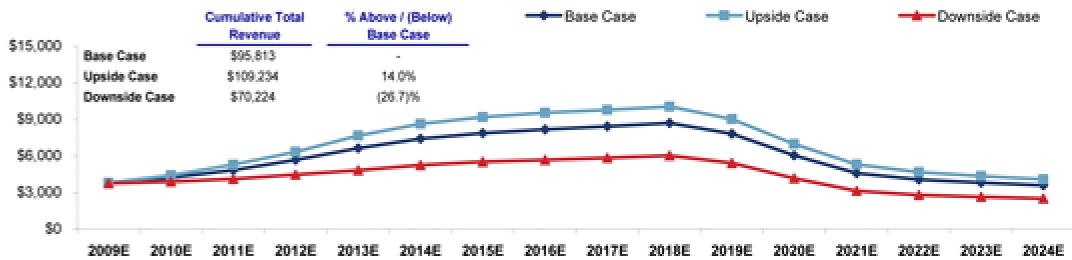
- Base Case:
  - 61% for PTS for adjuvant colon cancer trial (C-08) in Q2 2009
  - Most important additional Avastin indications of adjuvant breast and adjuvant lung cancer at 50% and 55%, PTS respectively
  - Price increases: no increase in 2010; 1.5% increase in 2011; 3% increase in 2012
    - For 2013 and beyond, no increase if adjuvant breast trial is successful and 3.0% annual increase if adjuvant breast trial is unsuccessful

- C-08 Upside Case:
  - Positive C-08 results by Q2 2009 resulting in ~16% higher revenue than base case for Avastin overall in 2017E
  - Increased PTS assumptions for adjuvant breast and adjuvant lung indications in development to 70%

- C-08 Downside Case:
  - Negative C-08 results by Q2 2009 resulting in ~31% lower revenue than base case for Avastin overall in 2017E
  - Removes adjuvant CRC revenue from base case
  - Decreased PTS assumptions for adjuvant breast and adjuvant lung indications in development to 10%

Avastin PTS Adjusted Total Revenue: 2009E – 2024E

	Cumulative Total Revenue	% Above / (Below) Base Case
Base Case	$95,813	-
Upside Case	$109,234	14.0%
Downside Case	$70,224	(26.7)%



Source: Francis management projections

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Avastin Case Discounted Cash Flow Analysis

Base Case, C-08 Upside Case and C-08 Downside Case

2024 Terminal Year

Avastin Impact on Whole-Co. – Equity Value Per Share

C-08 Downside Case

Discount Rate	Perpetuity Growth Rate: 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$80.54	$82.74	$85.22	$88.07	$91.40
9.5 %	86.10	88.74	91.78	95.33	99.53
9.0 %	92.32	95.58	99.37	103.86	109.24
8.5 %	99.33	103.38	108.18	113.94	120.98
8.0 %	107.05	112.18	118.34	125.86	135.27

Base Case

Discount Rate	Perpetuity Growth Rate: 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$89.34	$91.64	$94.26	$97.29	$100.82
9.5 %	95.36	98.16	101.40	105.17	109.63
9.0 %	102.17	105.62	109.66	114.42	120.15
8.5 %	109.83	114.14	119.24	125.35	132.83
8.0 %	118.31	123.76	130.30	138.29	148.29

C-08 Upside Case

Discount Rate	Perpetuity Growth Rate: 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$93.87	$96.22	$98.92	$102.02	$105.65
9.5 %	100.14	103.02	106.34	110.21	114.79
9.0 %	107.23	110.78	114.92	119.81	125.68
8.5 %	115.21	119.63	124.86	131.14	138.82
8.0 %	124.05	129.64	136.35	144.56	154.82

Incremental Impact on Whole-Co. – Equity Value Per Share

C-08 Downside Case

Discount Rate	Perpetuity Growth Rate: 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	($8.80)	($8.90)	($9.04)	($9.21)	($9.42)
9.5 %	(9.26)	(9.43)	(9.62)	(9.84)	(10.10)
9.0 %	(9.84)	(10.05)	(10.28)	(10.57)	(10.90)
8.5 %	(10.50)	(10.76)	(11.06)	(11.42)	(11.85)
8.0 %	(11.26)	(11.58)	(11.96)	(12.43)	(13.02)

C-08 Upside Case

Discount Rate	Perpetuity Growth Rate: 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$4.53	$4.59	$4.66	$4.74	$4.83
9.5 %	4.78	4.85	4.94	5.04	5.16
9.0 %	5.06	5.15	5.26	5.39	5.54
8.5 %	5.38	5.49	5.63	5.79	5.99
8.0 %	5.74	5.88	6.05	6.27	6.53

Source: Francis management projections

Additional Financial Analysis Included in the DCF

Future Employee Stock Options Expense and 2015 Opt-In Value

($ in millions)

Employee Stock Options Expense

	Discount Rate				
	10.0 %	9.5 %	9.0 %	8.5 %	8.0 %
Value ($mm)	($8,470)	($9,665)	($11,259)	($13,491)	($16,837)
Value Per Share	($7.81)	($8.88)	($10.31)	($12.32)	($15.32)

- Assumes Black Scholes based estimate of 2007 stock option grant expense (tax affected) per Francis 10-K filing
- Net present value of annual projected ESO expenses
- Assumes 6% annual growth rate of ESO issuance value, comprised of 3% growth in the number of employees and 3% of inflation

2015 Commercial Agreement Opt-In Value

	Discount Rate				
	10.0 %	9.5 %	9.0 %	8.5 %	8.0 %
Value ($mm)	$3,670	$4,434	$5,392	$6,608	$8,173
Value Per Share	$3.39	$4.08	$4.94	$6.03	$7.44

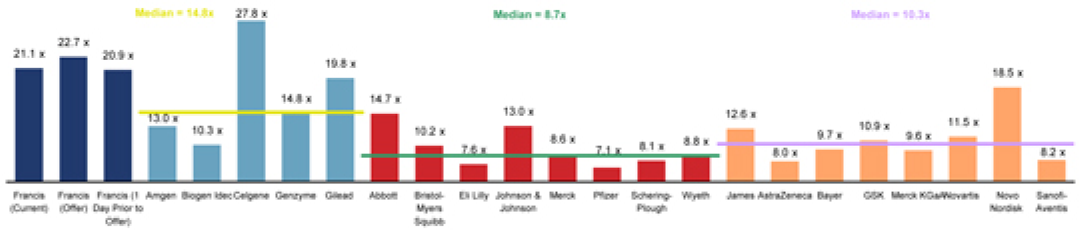
- Evaluates royalty revenue derived from the unnamed pipeline following the expiration of the James opt-in rights in 2015
- Assumes large and small molecule projections per Francis management, including revenue profile and number of large and small molecules
- Assumes current commercial agreement royalties are approximately 50% of "market rate" (30% royalty vs. current 15% royalty)
- 3% perpetuity growth rate

Source: Financial projections and scenarios per Francis management as of 31-Oct-2008
Note: Assumes 1,056mm basic shares outstanding, as of 07-Aug-2008

Comparison of Public Trading Multiples

Francis vs Large Cap Biotech and Large Pharma

2009 P/E (As of 30-Oct-2008)



2009 P/E (As of 08-Aug-2008)

■ Large Cap Biotech ■ U.S. Large Pharma ■ Europe Large Pharma

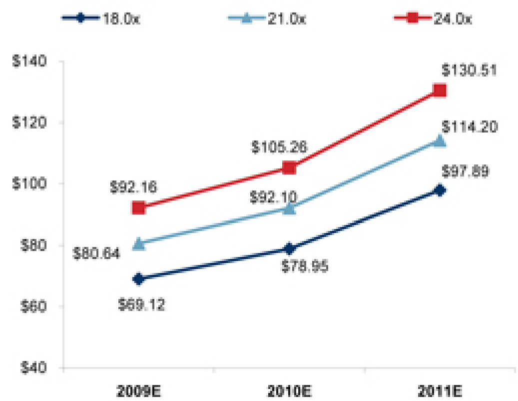
Source: IBES median estimates

Goldman Sachs

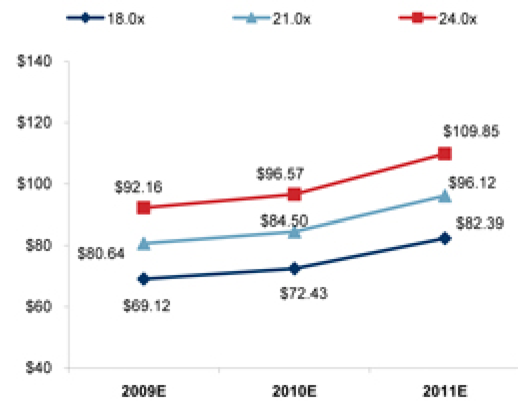
Present Value of Future Stock Price Analysis

Management Case, Adjusted for Share Repurchases at One Year Forward at 21.0x P/E[1]

Future Stock Price (Undiscounted)



Present Value at 9.0% Cost of Equity



	2009E	2010E	2011E	2008E - 2011E CAGR[3]
EPS (SAF v2)[1]	$ 3.84	$ 4.39	$ 5.44	16.3%
IBES	$ 3.92	$ 4.44	$ 4.94[2]	12.6%
EPS (SAF v1)[1]	$ 4.01	$ 4.86	$ 6.06	20.5%

Source: Francis management projections as of 31-Oct-2008 and IBES median estimates

[1] Management EPS estimates adjusted for share repurchase assumption. For SAF v2, assumes cash of $3.6bn, $6.3bn and $5.3bn for 2009E-2011E, respectively, used to repurchase shares based on management projections. Price of share repurchase assumed to be 21.0x one year forward EPS per Management Case ($92.25, $115.17 and $139.29 for 2009E-2011E, respectively). For SAF v1, assumes cash of $3.9bn, $5.0bn and $6.7bn for 2009E-2011E, respectively, used to repurchase shares based on management projections. Price of share repurchase assumed to be 21.0x one year forward EPS per Management Case ($103.15, $130.10 and $148.76 for 2009E-2011E, respectively).

[2] 2011E IBES mean based on selected composite from Wall Street research.

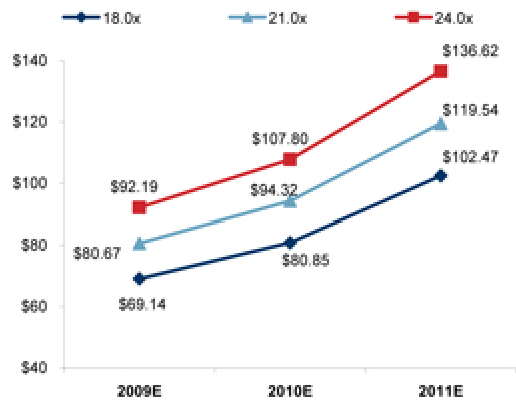
[3] 2008E EPS per Francis management.

Goldman Sachs

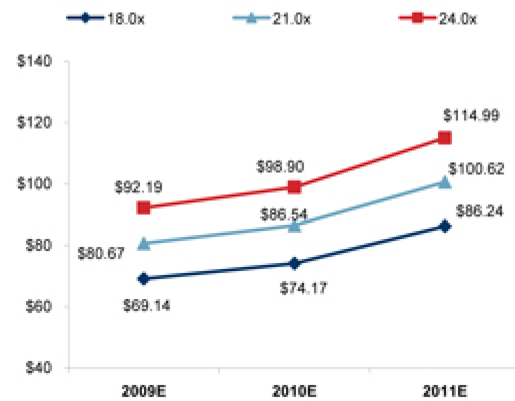
Present Value of Future Stock Price Analysis

C-08 Upside Case, Adjusted for Share Repurchases at One Year Forward at 21.0x P/E[1]

Future Stock Price (Undiscounted)



Present Value at 9.0% Cost of Equity



	2009E	2010E	2011E	2008E - 2011E CAGR [3]
EPS (SAF v2) [1]	$ 3.84	$ 4.49	$ 5.69	18.1%
IBES	$ 3.92	$ 4.44	$ 4.94[2]	12.6%
EPS (SAF v1) [1]	$ 4.16	$ 5.15	$ 6.47	23.2%

Source: Francis management projections as of 31-Oct-2008 and IBES median estimates

[1] Management EPS estimates adjusted for share repurchase assumption. For SAF v2, assumes cash of $3.6bn, $6.3bn and $5.3bn for 2009E-2011E, respectively, used to repurchase shares based on management projections. Price of share repurchase assumed to be 21.0x one year forward EPS per Management Case ($94.83, $121.33 and $148.74 for 2009E-2011E, respectively). For SAF v1, assumes cash of $3.9bn, $5.0bn and $6.7bn for 2009E-2011E, respectively, used to repurchase shares based on management projections. Price of share repurchase assumed to be 21.0x one year forward EPS per Management Case ($109.70, $139.50 and $150.07 for 2009E-2011E, respectively).

[2] 2011E IBES mean based on selected composite from Wall Street research.

[3] 2008E EPS per Francis management.

Research Price Targets and Key Themes
Francis

Broker	Date	Price Target	Price and Valuation Commentary
Bernstein Research	29-Oct-2008	$97.00	■ "**Our $97 target price for Francis is based on the high likelihood we place on a deal between James and Francis being completed** ($97 is the probability weighted average of our acquisition scenarios). We assign a 5% probability to a deal occurring at $125, a 10% probability to a deal occurring at $115, a 25% probability to a deal occurring at $105, a 25% probability to a deal occurring at $95, a 20% probability to a deal occurring at $89, and a 15% probability of the deal occurring at $78. **Our $97 target price is most easily calculated by applying a 21x multiple to our 2010 EPS estimate of $4.65**"
Citi	29-Oct-2008	$96.00[1]	■ "Our $96 target price is based on the average of four valuation techniques: — Historical premiums paid to large-cap biotech: **Our historical analysis suggests large-cap biotech companies get taken over at a 21% premium**. In Francis's case there is no change of control, so we believe a premium would only have to be paid for the 44% stake James does not own. Relative to the close on 7/18/08, **the adjusted premium leads to a target price of $89**. — Synergy Valuation: We estimate that ~$800M synergies will be realized by James from a potential acquisition. **We tax effect the synergy and apply and '09 P/E multiple of 20x (the multiple we would value Francis as a standalone company)**. To buy this synergy benefit we believe James would have to pay for the synergy on top of our baseline valuation of $75/share. **This leads to an implied target price of $86.** — Upside Valuation: Based on our estimates, the probability-adjusted, discounted value of the upside from major trials is $0.79/share. We assume these trials have a 75% chance of success and we discount the non-GAAP EPS by 30% to 2009. Adding this to our baseline '09 estimate of $3.77, yields in an implied EPS of $4.56. **Using a forward '09 P/E multiple of 23x, which in our view would be appropriate if these trials are successful, leads to a target price of $105**. — DCF analysis: **Our discounted cash flow leads to $102/share. We utilize an 8.8% WACC (based on a cost of equity of 8.9% and cost of debt of 5%), a terminal growth value of 2%**"

Source: Wall Street research
[1] Represents price target for standalone Francis.

Research Price Targets and Key Themes
Francis

Broker	Date	Price Target	Price and Valuation Commentary
Barclays Capital	28-Oct-2008	$105.00	■ "The proposed minority shareholder buyout by majority shareholder James has created a risk arbitrage opportunity where an initial bid of $89 appears inadequate, **where a $120 bid may better reflect future growth prospects for Francis and where historical precedent would suggest fair value and a final agreement at $105 assuming an equitable negotiation** – while credit market conditions increase funding risk we believe that James has access to debt markets and can raise sufficient funds to complete the transaction" ■ "**We believe that earnings accretion can still accrue to James in 2011, 2 years after completion of a deal, at a price of $105**"
Natixis	28-Oct-2008	$85.00[1]	■ "If the trial fails, our current 2010 EPS estimate of $4.29 will remain (2-year CAGR of 12.3%). Applying a 12x multiple leads to $51/share. Given a 30% takeover premium leads to a potential buyout price of $66/share. However, if the Avastin trial succeeds, we anticipate off-label use beginning in mid-2009. **After factoring the increased Avastin sales, our 2010 EPS estimate would be $4.55. Applying a 20x multiple leads to a valuation of $90/share. Then adding a 15% premium gives us a potential buyout price of $104/share.** Therefore, our $85 risk-adjusted target price remains as a probability-adjusted arbitrage valuation"
Rodman & Renshaw	28-Oct-2008	$90.00[1]	■ "We reach our target price using a Discounted Cash Flow (DCF) valuation. This valuation method is more conservative than sum-of-parts valuation since it takes into account future CapEx and working capital expenses. We forecast sales and individual expenses until 2015 to calculate the free cash flow in each year. **Assuming a conservative terminal growth rate of 3% to calculate the terminal value, we discount the numbers to 2008 by using the Weighted Average Cost of Capital (WACC) of 9.4% to achieve the value of the firm**. Subtracting the long-term debt of $2.5bil and adding back cash, we derive the value of equity. Dividing by the outstanding shares, **we reach out target price of approximately $90**" ■ "Furthermore, using our sum-of-parts valuation we came up with a fair value of $95 per share. **Adjusting for the average and median historical acquisition premiums gives us an acquisition target price range well above $100 per share**"

Source: Wall Street research
[1] *Represents price target for standalone Francis.*

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Research Price Targets and Key Themes

Francis

Broker	Date	Price Target	Price and Valuation Commentary
Baird & Co.	20-Oct-2008	$100.00	■ "We place an Outperform rating on Francis shares. Large-cap biotech multiples have compressed in the last few quarters from a traditional range of 30-40x current-year EPS expectations. In that we acknowledge the compressing multiples in the biotech industry (the group currently trades between 20-30x), **we apply a 27x multiple to our 2009 EPS estimate of $3.92, discounted back by 15% per year, to derive our 12-month price target of $100**"
Jefferies & Co.	15-Oct-2008	$95.00	■ "Based on the previously proposed take-out valuation of $89/share, Francis is trading at ~19x our FY09 EPS ($4.05), a ~16% premium to comps. **Our $95PT is the mean between the proposed take out value and what we believe James may be willing to pay**"
Morgan Stanley	14-Oct-2008	$105.00	■ **"Given the current increase in financing costs, we are lowering our price target, though, to $105 (a number company could also meet or exceed if adjuvant Avastin trial is positive)"** ■ "**Base case valuation of $105**: Our bear case models failure of the deal to close. We expect the initial Street reaction will cause the stock to drop to the mid-70s or below. Our $94 bear case is a one-year fair value based on our DCF analysis, which assumes Avastin growth in breast cancer in the near-term drives EPS growth" ■ "**Bull case valuation of $140**: Deal closes after positive Avastin data in adjuvant CRC...In addition, the market will need to markedly increase the probability of success of Avastin in adjuvant breast cancer, a $5bn potential market in the U.S. alone...Assuming adjuvant success and adjusting Avastin sales accordingly in our sum of the part analysis, we estimate Avastin in adjuvant adds >$25 in value" ■ "**Bear case valuation of $94**: Deal fails to close: Our bear case models failure of the deal to close...Our $94 bear case is a one-year fair value based on our DCF analysis, which assumes Avastin growth in breast cancer in the near-term drives EPS growth" ■ "**Ultra bear case of $65**: Deal fails, adjuvant fails, and both Avastin and Rituxan sales fall short of expectations...Furthermore, Avastin and Rituxan sales reach only ~70% of our base case value expectations"

Source: Wall Street research
[1] Represents price target for standalone Francis.

II. Review of Greenhill Methodology

Goldman Sachs

Review of Greenhill Presentation

Summary of Key Value Driving Differences

Metric	Greenhill	GS	Potential Delta (Per Share) [1]
Standalone			
2015 Opt-in Rights	Not included	Valued separately	~$4.94 per share
Forecast Tax Assumption	LRP effective tax rate until 2013, then held constant at 31.4%	36% trending to ~31% by 2018	$1.46 per share
Net Cash Balance	~$3bn (Per 30-Jun-2008)	~$7bn (Per 31-Dec-2008)	$3.44 per share
Forecast	"June 2008 LRP" [2]	31-Oct-2008 Standalone Financial Model (SAF v2)	$11.46 per share (all else constant to Greenhill assumptions)
Employee Stock Option Compensation	Integrated into cash flow buildup	Valued separately	~($5) per share
Fully Diluted Shares Outstanding	1,086.6mm (static)	1,079.6mm (dynamic)	$0.55 per share (at $89 / share)
Transaction-related			
Inter-Company Loan	Not included	Considered	$1.15 to $9.57 per share [3] $2.58 to $21.56 per Minority share [3]
Long-Term Tax Benefit	Not included	Considered	$3.80 per share $8.55 per Minority share
Synergies	$4.76 - $5.39 per share - 0% perpetuity growth rate - 38% tax rate - Fully diluted shares	$11.38 - $12.89 per share - 0% perpetuity growth rate - 36% tax rate - Minority shares	$0.15 - $0.17 per share [4] $6.30 - $7.14 per Minority share [4]

Source: Per Greenhill 09-Sept-2008 presentation and Francis management projections as of 31-Oct-2008

[1] *Assumes 1086.6mm diluted shares, unless otherwise noted. Assumes 3.0% perpetuity growth rate and 9.0% discount rate.*

[2] *Preliminary review indicates Greenhill may be using an earlier forecast.*

[3] *Based on $10 - 30 billion inter-company loan amount and 0% - 25% home jurisdiction tax rate.*

[4] *Assumes $750 - $850mm in synergies. At 3.0% perpetuity growth rate, potential delta becomes $11.83 - $13.40 per Minority share.*

Illustrative Comparison of FCF and Terminal Value

($ in millions, except per share data)

Greenhill Analysis ("June LRP")		Greenhill Analysis (SAF v2)		GS Analysis (SAF v2)	
2018 FCF	$7,887	2018 FCF	$9,270	2018 FCF	$9,270
2019 (Terminal Year)	135,390	2019 (Terminal Year)	159,132	2019	9,671
				2020	9,524
				2021	10,249
				2022	10,449
				2023	11,515
				2024	12,347
				2025 (Terminal Year)	214,292

	Greenhill Analysis ("June LRP")	Greenhill Analysis (SAF v2)	GS Analysis (SAF v2)
Discount Rate	9.0%	9.0%	9.0%
Terminal Growth Rate	3.0%	3.0%	3.0%
Post 2018 "Terminal Value"	$135,390	$159,132	$278,046
Terminal Year Discount Factor	0.422	0.422	
PV of FCF (Pre 2018)	$31,403	$41,468	$41,468
PV of Terminal Value (Post 2018)	**$57,190**	**$67,219**	**$77,100**
Total Shares[1]	1,086.6	1,091.6	1,091.6
PV Per Share of FCF (Pre 2018)	$28.90	$37.99	$37.99
PV Per Share of Terminal Value (Post 2018)	**$52.63**	**$61.58**	**$70.63**
<u>Adjustments</u>			
Capitalized ESO Expense Per Share [2]	Included in FCF	~($5)	($10.31)
2015 Opt-in Value Per Share	No Additional Value	No Additional Value	$4.94
Net Cash Per Share	$3.00	$6.41	$6.41
Total PV	**$84.54**	**~$101**	**$109.66**

Source: Per Greenhill 09-Sep-2008 presentation and Francis management

[1] *Greenhill Analysis (SAF v2) assumes 1,091.6 diluted shares outstanding for comparability to GS analysis.*

[2] *Greenhill Analysis (SAF v2) assumes ESO expense from Greenhill analysis shown on an incremental basis for comparability to GS analysis.*

Anticipating Potential Greenhill/James Areas of Resistance
Key Areas of Focus

Forecast

- Avastin pricing, PTS and total sales
  - Concern around pricing environment in a new US administration
  - FOB assumptions
  - Competitive assumptions
- Skepticism around Lucentis given it is not a product they know
- International Sales
  - Greenhill commented that James thought the international sales were aggressive in the "June LRP"
  - Unnamed NME profile assumes a Ex-US:US sales ratio of 1:1 and a time lag of six months; previously had been a Ex-US:US sales ratio of 1:2/3 and a lag of 12 months
- Pipeline productivity assumptions and small molecule assumptions
  - 2019-2024 will be a new timeframe for them
  - Large driver of value
- Potential focus on 2009, 2010 and potential underperformance relative to current Street expectations

Methodology

- Discount rate
  - Market environment impact
- PTS assumptions
- ESO expense assumptions
- Choice of multiples and/or premium
- Tax Assumptions
  - Greenhill noted James' skepticism on ability to move operations off-shore to meet June LRP tax assumptions
- Terminal growth rate

III. James Ability to Pay Analysis

Goldman Sachs

Transaction Analysis Assumptions

- James projections based on Wall Street research dated 29-Oct-2008
- Francis projections per Company management as of 31-Oct-2008
- Assumes 100% cash transaction financed with $10 billion in existing cash and the remainder in new debt
  - Size of transaction and debt ratings are significant considerations in evaluating cost and capacity for debt
- Achieves pre-tax synergies of $400 million in 2009E and $800 million in 2010E and 2011E
  - Excludes potential costs to achieve synergies
- 3.0% opportunity cost of cash
- CHF10 billion minimum cash balance for pro forma company and James projected dividend payments per Wall Street research
  - Excess free cash flow used to service debt
- Assumes no amortization of excess purchase price due to ability of James to account for it on the balance sheet directly as a reduction in equity (Francis already consolidated)
- Assumes transaction closes 31-Dec-2008

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Sources and Uses for James Acquisition of the Minority

Assumes Credit Markets Stabilize and Synergies $400mm (Yr1) and $800mm per year (post yr1)

(Figures in millions)

Sources	USD	CHF
Stock Consideration	$0	CHF 0
Francis Cash Used	$9,000	CHF 10,259
James Existing Cash Used	1,000	1,140
Total Cash Used	$10,000	CHF 11,399
Debt Issuance:		
Commercial Paper @ 1.44%	$15,000	CHF 17,098
Bonds ($) @ 7.40%	10,000	11,399
Bonds (EUR) @ 7.60%	5,000	5,699
Term Loan @ 5.19%[1]	4,328	4,933
Total Debt Issuance	$34,328	CHF 39,130
Total Sources	**$44,328**	**CHF 50,529**

Uses	USD	CHF
Transaction Size at $89.00 Per Share	$43,828	CHF 49,959
Financing / Transaction Fees	$500	CHF 570
Total Uses	**$44,328**	**CHF 50,529**

Note: Assumes $89.00 per share acquisition price
[1] *Current term loan capacity limited to approximately $10 billion.*

Goldman Sachs

Accretion / (Dilution) Analysis Including Synergies [1]

Assumes Credit Markets Stabilize and Synergies $400mm (Yr1) and $800mm per year (post yr1)

(Figures in millions, except per share data)

Currency Exchange Rate (CHF / $)	1.14

	Standalone									
Price Per Share ($)		$89.00	$95.00	$100.00	$105.00	$110.00	$115.00	$120.00	$125.00	$130.00
Price Per Share (CHF)		CHF 101.45	CHF 108.29	CHF 113.99	CHF 119.69	CHF 125.39	CHF 131.09	CHF 136.79	CHF 142.49	CHF 148.19
Minority Shares (mm)		492	496	499	501	503	505	507	508	510
Equity Consideration - Diluted		$43,828	$47,114	$49,855	$52,597	$55,338	$58,079	$60,821	$63,562	$66,304
		CHF 49,959	CHF 53,705	CHF 56,830	CHF 59,954	CHF 63,079	CHF 66,204	CHF 69,329	CHF 72,454	CHF 75,579
Existing Cash Used		$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
		CHF 11,399	CHF 11,399	CHF 11,399	CHF 11,399	CHF 11,399	CHF 11,399	CHF 11,399	CHF 11,399	CHF 11,399
Incremental Financing Need		$34,328	$37,614	$40,355	$43,097	$45,838	$48,579	$51,321	$54,062	$56,804
		CHF 39,130	CHF 42,876	CHF 46,001	CHF 49,126	CHF 52,250	CHF 55,375	CHF 58,500	CHF 61,625	CHF 64,750
Estimated Average Financing Cost		4.5%	4.6%	4.9%	5.0%	5.0%	5.1%	6.3%	6.3%	6.3%
% Accretion / (Dilution) to James										
2009E		(1.7)%	(2.5)%	(4.2)%	(5.4)%	(6.6)%	(7.8)%	(13.5)%	(14.8)%	(16.0)%
2010E		(1.5)%	(1.8)%	(3.1)%	(4.1)%	(5.2)%	(6.3)%	(11.0)%	(12.1)%	(13.2)%
2011E		2.1%	1.8%	0.7%	(0.3)%	(1.3)%	(2.3)%	(5.1)%	(6.1)%	(7.1)%
Incremental Pre-tax Synergies to Breakeven										
2009E		CHF 257	CHF 381	CHF 635	CHF 820	CHF 1,006	CHF 1,192	CHF 2,061	CHF 2,247	CHF 2,432
2010E		251	305	519	704	890	1,076	1,871	2,057	2,242
2011E		NM	NM	NM	60	245	431	976	1,161	1,347
Pro Forma EPS Growth	Standalone									
2008E - 2012E	12.6%	14.5%	14.3%	14.0%	13.8%	13.5%	13.3%	12.9%	12.7%	12.4%
Pro Forma P/E to Breakeven										
2009E	11.2x	11.4x	11.5x	11.7x	11.8x	12.0x	12.2x	13.0x	13.1x	13.3x
2010E	10.0x	10.2x	10.2x	10.3x	10.5x	10.6x	10.7x	11.3x	11.4x	11.5x
Implied Pro Forma PEG										
2009E	0.9x	0.8x	0.8x	0.8x	0.9x	0.9x	0.9x	1.0x	1.0x	1.1x
2010E	0.8x	0.7x	0.7x	0.7x	0.8x	0.8x	0.8x	0.9x	0.9x	0.9x

Note: Assumes 100% cash transaction financed with $10 billion in existing cash and the remainder in new debt. Current term loan capacity limited to approximately $10 billion. For illustrative purposes, term loan rate increases from 5.19% to 5.94% above $100 per share. Assumes 3.0% opportunity cost of cash. Assumes pre-tax synergies of $400 million in 2009E and $800 million in 2010E and 2011E. Standalone EPS growth per Wall Street research

[1] Does not include potential tax benefits James may realize.

Goldman Sachs

Leverage Analysis for James

Assumes Credit Markets Stabilize and Synergies $400mm (Yr1) and $800mm per year (post yr1)

(Figures in millions, except per share data)

Currency Exchange Rate (CHF / $)	1.14

Price Per Share ($)	**$89.00**	**$95.00**	**$100.00**	**$105.00**	**$110.00**	**$115.00**	**$120.00**	**$125.00**	**$130.00**
Price Per Share (CHF)	**CHF 101.45**	**CHF 108.29**	**CHF 113.99**	**CHF 119.69**	**CHF 125.39**	**CHF 131.09**	**CHF 136.79**	**CHF 142.49**	**CHF 148.19**
Minority Shares (mm)	**492**	**496**	**499**	**501**	**503**	**505**	**507**	**508**	**510**
Equity Consideration - Diluted	**$43,828**	**$47,114**	**$49,855**	**$52,597**	**$55,338**	**$58,079**	**$60,821**	**$63,562**	**$66,304**
	CHF 49,959	**CHF 53,705**	**CHF 56,830**	**CHF 59,954**	**CHF 63,079**	**CHF 66,204**	**CHF 69,329**	**CHF 72,454**	**CHF 75,579**
Existing Cash Used	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
	CHF 11,399	CHF 11,399	CHF 11,399	CHF 11,399	CHF 11,399	CHF 11,399	CHF 11,399	CHF 11,399	CHF 11,399
Incremental Financing Need	$34,328	$37,614	$40,355	$43,097	$45,838	$48,579	$51,321	$54,062	$56,804
	CHF 39,130	CHF 42,876	CHF 46,001	CHF 49,126	CHF 52,250	CHF 55,375	CHF 58,500	CHF 61,625	CHF 64,750
Estimated Average Financing Cost	4.5%	4.6%	4.9%	5.0%	5.0%	5.1%	6.3%	6.3%	6.3%
2008E Pro Forma Credit Profile (CHF mn)									
EBITDA	CHF 17,162	CHF 17,162	CHF 17,162	CHF 17,162	CHF 17,162	CHF 17,162	CHF 17,162	CHF 17,162	CHF 17,162
CapEx	3,300	3,300	3,300	3,300	3,300	3,300	3,300	3,300	3,300
Total Debt	43,756	47,502	50,627	53,752	56,876	60,001	63,126	66,251	69,376
Total Debt / EBITDA	2.5 x	2.8 x	2.9 x	3.1 x	3.3 x	3.5 x	3.7 x	3.9 x	4.0 x
Total Debt / (EBITDA - CapEx)	3.2	3.4	3.7	3.9	4.1	4.3	4.6	4.8	5.0
Net Debt	31,107	34,853	37,978	41,103	44,227	47,352	50,477	53,602	56,727
Net Debt / EBITDA	1.8 x	2.0 x	2.2 x	2.4 x	2.6 x	2.8 x	2.9 x	3.1 x	3.3 x
Net Debt / (EBITDA - CapEx)	2.2	2.5	2.7	3.0	3.2	3.4	3.6	3.9	4.1
Total Cash	12,649	12,649	12,649	12,649	12,649	12,649	12,649	12,649	12,649
2009E Pro Forma Credit Profile (CHF mn)									
EBITDA	CHF 19,657	CHF 19,657	CHF 19,657	CHF 19,657	CHF 19,657	CHF 19,657	CHF 19,657	CHF 19,657	CHF 19,657
CapEx	2,902	2,902	2,902	2,902	2,902	2,902	2,902	2,902	2,902
Total Debt	33,956	37,702	40,827	43,952	47,076	50,201	53,326	56,451	59,576
Total Debt / EBITDA	1.7 x	1.9 x	2.1 x	2.2 x	2.4 x	2.6 x	2.7 x	2.9 x	3.0 x
Total Debt / (EBITDA - CapEx)	2.0	2.3	2.4	2.6	2.8	3.0	3.2	3.4	3.6
Net Debt	23,956	27,702	30,827	33,952	37,076	40,201	43,326	46,451	49,576
Net Debt / EBITDA	1.2 x	1.4 x	1.6 x	1.7 x	1.9 x	2.0 x	2.2 x	2.4 x	2.5 x
Net Debt / (EBITDA - CapEx)	1.4	1.7	1.8	2.0	2.2	2.4	2.6	2.8	3.0
Total Cash	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Preliminary Long-term Credit Rating	AA- / A1	AA- / A1	AA-,A+ / A1,A2	A+ / A2	A / A3 upside potential		A / A3	A- / Baa1	A- / Baa1
Potential Notch Downgrade [1]	0 / 3	0 / 3	1 / 4	1 / 4	2 / 5		2 / 5	3 / 6	3 / 6
Preliminary Short-term Credit Rating	A-1+ / P-1	A-1+ / P-1	A-1+,A-1 / P-1	A-1 / P-1	<---- A-1 stable / P-1 at risk ---->		A-2 / P-2	A-2 / P-2	A-2 / P-2
Estimated Bank Loan Capacity [2]	$5,672	$2,386	-	-	-	-	-	-	-

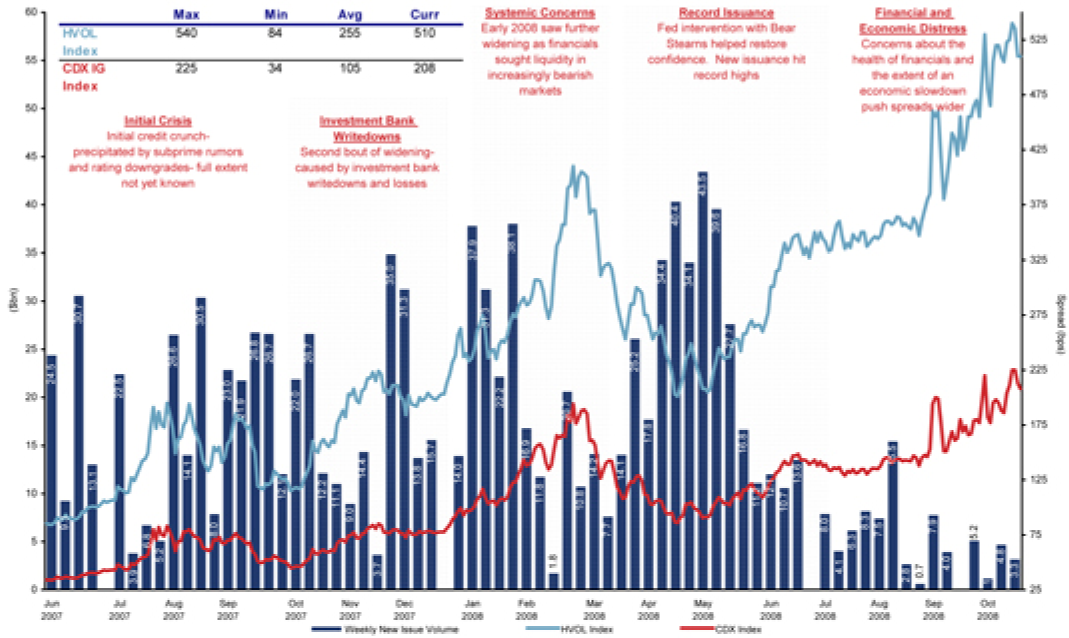
Source: Francis management projections
Note: Assumes debt paydown beginning in 2009 with a minimum CHF10,000 mn cash balance
[1] *Assumes current Moody's long-term rating of Aa1, which is under review for possible downgrade.*
[2] *Current term loan capacity limited to approximately $10 billion. For illustrative purposes, term loan rate increases from 5.19% to 5.94% above $100 per share. A-1 / P-1 short-term credit rating decline limits access to CP market.*

Appendix A: Supplemental Credit Materials

Goldman Sachs

Bond Market Remains Under Pressure

New Issuance is Down 30% Year-over-Year



Goldman Sachs

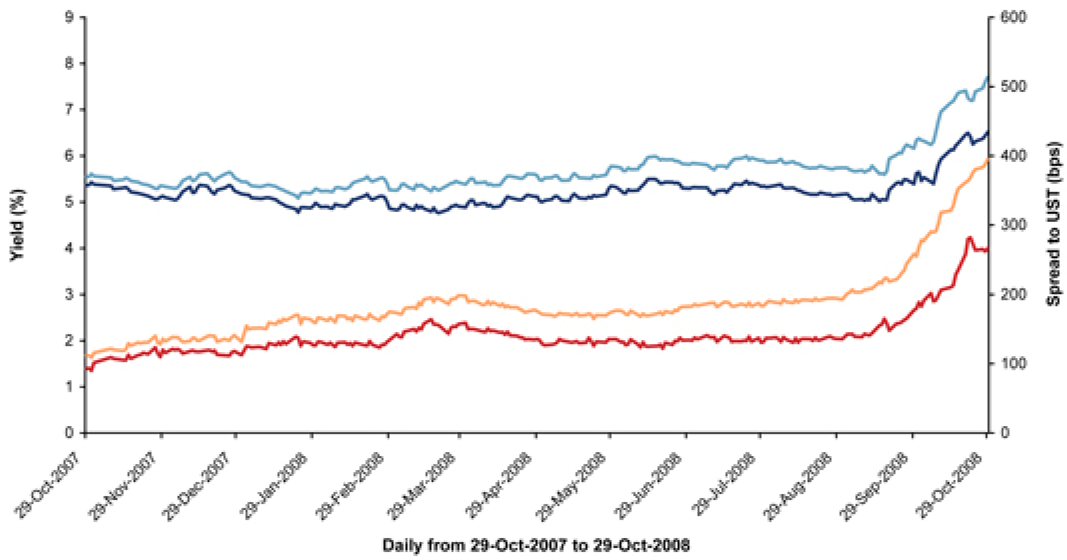
Investment Grade Corporates Have Had Limited Access to the New Issue Market Since September

Selected Investment Grade Corporate New Issues, September – October 2008

		Rating		Security			Spread to UST (bps)			
		Moody's	S&P	Size ($mm)	Coupon	Maturity	Priced	Trading (10/31/08)	Change	New Issue Concession
26-Sep	Apache	A3	A-	400 400	6.000% 6.900%	5yr 10yr	T+310 T+310	T+375 T+350	+65 +40	+100 +100
2-Oct	BUILDING AMERICA	Baa2	BBB	750	7.875%	10yr	T+425	T+400	-25	+100
9-Oct	IBM	A1	A+	1,400 1,600 1,000	6.500% 7.625% 8.000%	5yr 10yr 30yr	T+387.5 T+387.5 T+400	T+290 T+310 T+330	-97.5 -77.5 -70	+100 +100 +100
16-Oct	DIAGEO	A3	A-	1,000	7.375%	5yr	T+462.5	T+395	-67.5	+115
21-Oct	THE PEPSI BOTTLING GROUP	A2	A	1,300	6.950%	5yr	T+435	T+365	-70	+145
21-Oct	PEPSICO	Aa2	A+	2,000	7.900%	10yr	T+420	T+330	-90	+145
23-Oct	BAKER HUGHES	A2	A	500 750	6.500% 7.500%	5yr 10yr	T+400 T+400	T+370 T+375	-30 -25	+115 +115
29-Oct	Coca-Cola Enterprises	A3	A	1,000	7.375%	5yr	T+468	T+428	-40	+95
30-Oct	Kimberly-Clark	A2	A	500	7.500%	10yr	T+362.5	T+335	-27.5	+50
30-Oct	verizon	A3	A	2,000 1,250	8.750% 8.950%	10yr 30yr	T+487.5 T+487.5	T+440 T+440	-47.5 -47.5	+65 +65
30-Oct	ESTĒE LAUDER	A2	A	300	7.750%	5yr	T+500	T+450	-50	+75

AA and A Non-Financial Yields and Spreads

Last Twelve Months



Source: Iboxx Indices Data

The Commercial Paper Market is Improving for Nonfinancial A-1 / P-1 Issuers

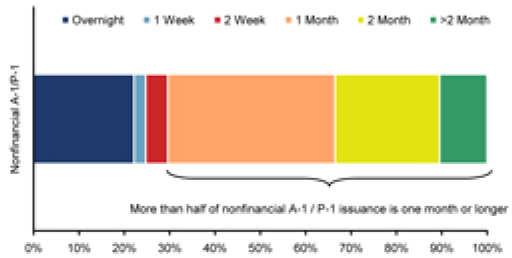
Access to Fed's CPFF Appears to be Easing Pressure on A-1/P-1

- The Federal Reserve will purchase from eligible issuers 3-month CP through the NY Fed's primary dealers
- At the time of its registration, each issuer must pay a facility fee equal to 10 basis points of the maximum amount of its commercial paper the facility may own
- The Fed will cease purchasing CP on April 30, 2009

Nonfinancial A-1 / P-1 Rates Have Come Down from September High

Nonfinancial A-1 / P-1 CP Outstanding is Increasing After Recent Fall

Nonfinancial A-1 / P-1 Issuers Have Access to Longer Maturities*

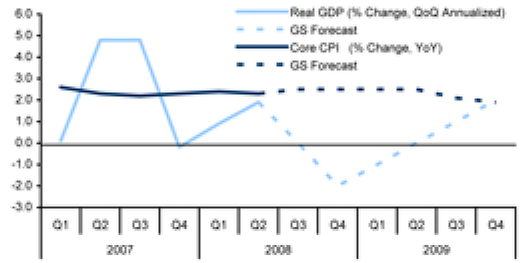


Source: Goldman Sachs, Federal Reserve. All data concerns nonfinancial issuers.
** Goldman Sachs Tier Composites are comprised of a representative group of issuers at each tier*

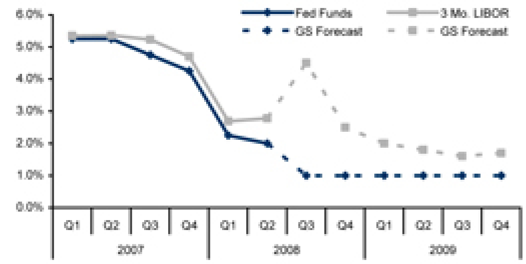
Term Debt Market Increasingly Focused on the Economy

Risks to the GS Economic Forecast Remain to the Downside

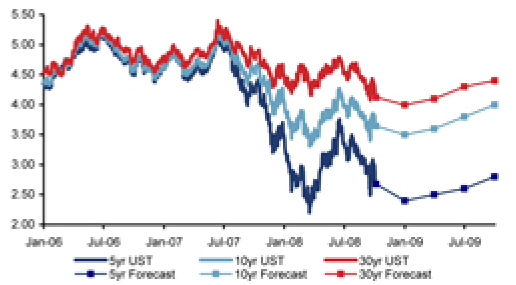
U.S. Economy Faces Headwinds Through 1H 2009



ST Rates: Fed May Ease Again Before Year End



U.S. Treasury Rates



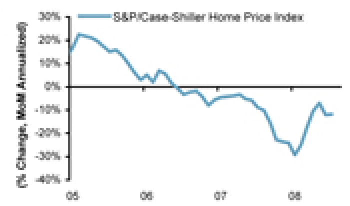
Recent Changes in GS Economic Outlook

	2008		2009				Annual Data	
	Q3	Q4	Q1	Q2	Q3	Q4	2008	2009
Real GDP growth								
New	0.0	-2.0	-1.0	0.0	1.0	2.0	1.5	-0.2
Old	2.0	0.0	0.0	1.0	2.0	2.0	1.8	1.0
Consumer spending								
New	-2.5	-1.5	-1.0	0.0	1.0	2.0	0.6	-0.5
Old	-0.5	-1.5	-0.5	0.5	1.5	2.0	0.8	0.0
Business investment								
New	0.0	-7.5	-12.5	-10.0	-7.5	-5.0	2.9	-7.6
Old	4.0	-2.5	-5.0	-7.5	-5.0	-2.5	3.7	-3.3
PCE Core								
New	2.5	2.4	2.3	2.2	1.9	1.7	2.3	2.1
Old	2.5	2.4	2.3	2.2	1.9	1.7	2.3	2.1
Unemployment rate								
New	6.0	6.6	7.1	7.5	7.8	8.0	5.7	7.6
Old	6.0	6.2	6.5	6.8	6.9	7.0	5.6	6.8
Fed funds rate								
New	1.87	1.50	1.00	1.00	1.00	1.00	1.50	1.00
Old	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00

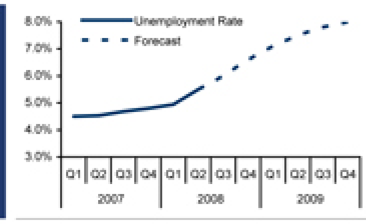
Economic Fundamentals Deteriorate Further

Recent Data Imply Recession is Deepening

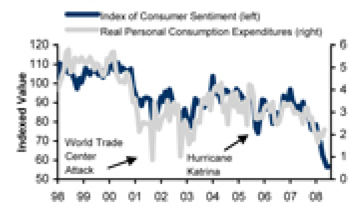
Home Price Declines Reaccelerating



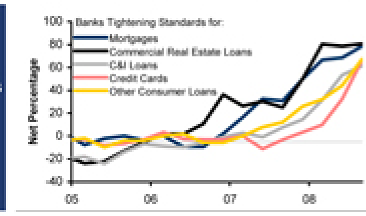
Labor Market Contraction Increasing



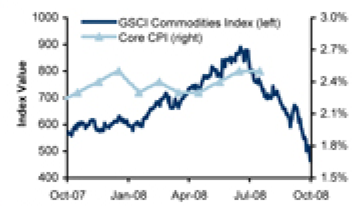
Consumer Spending, Confidence Falling



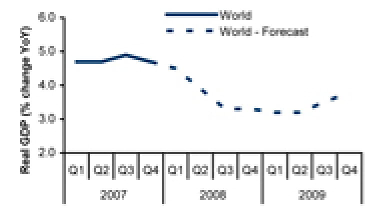
Financial Distress Constricting Credit



Inflation Concerns, Commodity Prices Abating



Non-US Growth Slowing



Source: Bloomberg and Goldman Sachs Research estimates
Source: Department of Commerce, University of Michigan.

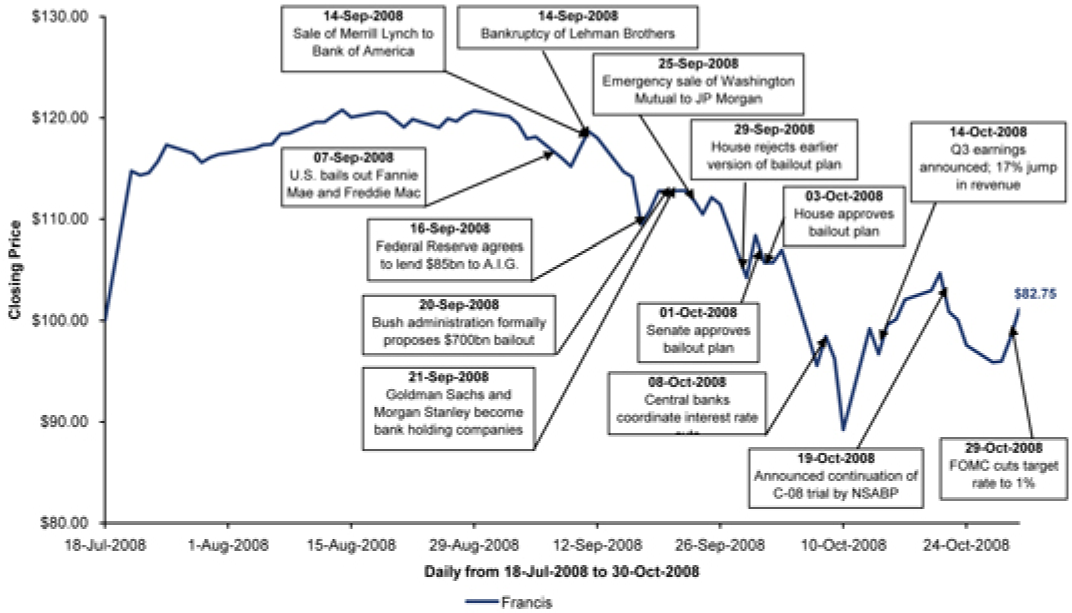
Anticipating the Impact of the November Election on Healthcare

- Healthcare reform initiatives expected from both parties
  - A meaningful expansion of health insurance coverage likely to drive positive impact to volumes, but might be more than offset by concerns over new reimbursement pressures
- Biotech is likely to be neutral to negatively impacted from a Democratic victory
  - Earnings and product news are expected to remain the major drivers of share price
- Both healthcare reform plans support legislation on biogenerics, drug importation and Medicare price negotiation
  - An Obama plan likely to see a slightly shorter approval time and longer exclusivity for generic biologics
  - On insurance reform and broader healthcare access, the Democratic initiatives may be perceived as worse for drug pricing
  - Premium pricing likely for addressing high unmet medical needs
- The appointment of a new FDA commissioner will likely have minimal impact
  - Obstacles such as high public scrutiny, reviewer conservatism and inadequate funding are challenging to overcome
  - Continued delays in review times and fewer product approvals are expected to continue to result
- Stakes are higher for healthcare services – who are likely to have meaningful expansion if Obama wins and the reverse for McCain
  - Un/under-insured have a pent-up demand for healthcare services
- Large Pharma unlikely to be strongly affected – candidates tend to agree on major issues
  - Slightly different proposals on generic access, Part D and parallel re-importation likely to drive some differences

Appendix B: Supplemental Financial Analysis

Francis Stock Price Performance History

Since James Offer



Source: FactSet as of 30-Oct-2008

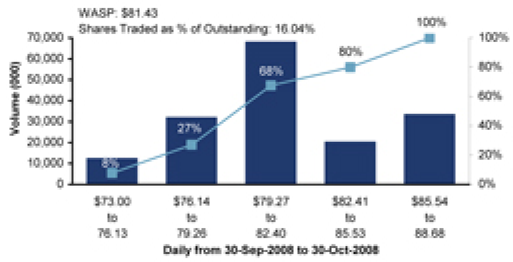
Goldman Sachs

Shares Traded at Various Prices

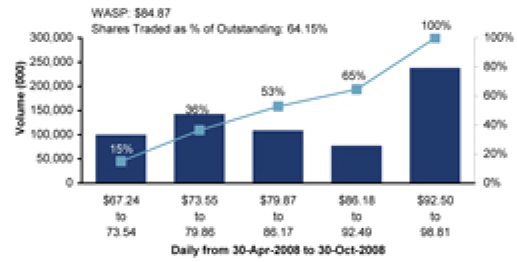
Francis

As of 30-Oct-2008

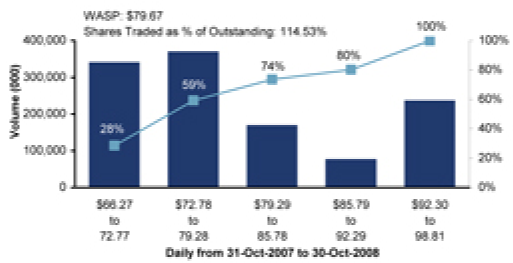
1 Month



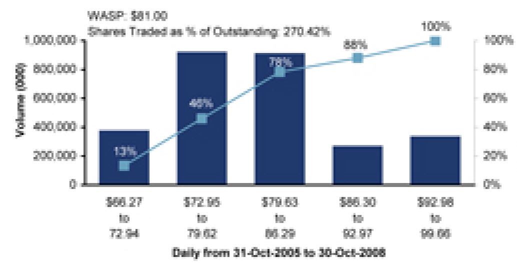
6 Months



1 Year



3 Years



Source: FactSet as of 30-Oct-2008

Goldman Sachs

Francis Top Institutional Shareholders Composition

As of 30-Sep-2008		% O/S
James Holdings	587,189,380	55.81%
Non-James Holding	464,981,518	44.19%
Shares Outstanding	1,052,170,898	

As of 24-Oct-2008	% O/S of Minority
Hedge Fund / Arb	11.90%
Non-Hedge Fund / Arb	88.10%

Top Shareholders (Sorted by "Current Position")

Rank	Institution Name	Position 18-Jul-2008 (Based on 30-Jun-2008 13F Filings)	Position 30-Sep-2008	Current Position 17-Oct-2008	Change vs. 30-Sep-2008	Change vs. 18-Jul-2008	Avg. Cost	Current %O/S of Total	Current %O/S of Minority
1	Fidelity Mgmt. & Research	41,806,660	41,006,660	41,506,660	500,000	(300,000)	$60.48	3.94 %	8.93 %
2	Marsico Capital	27,214,792	27,214,792	27,614,792	400,000	400,000	41.53	2.62	5.94
3	AllianceBerstein (AXA)	17,112,145	14,376,000	19,383,000	5,007,000	2,270,855	73.70	1.84	4.17
4	Capital Guardian Trust	19,376,837	16,876,837	17,476,837	600,000	(1,900,000)	78.21	1.66	3.76
5	Barclays Global	15,306,210	15,306,210	15,306,210	0	0	54.51	1.45	3.29
6	T. Rowe Price	17,256,456	15,256,456	15,256,456	0	(2,000,000)	74.79	1.45	3.28
7	Capital Research & Mgmt.	15,350,000	13,350,000	13,350,000	0	(2,000,000)	65.05	1.27	2.87
8	Jennison Associates	10,779,817	10,779,817	11,479,817	700,000	700,000	67.06	1.09	2.47
9	Wellington Mgmt.	15,892,746	10,892,746	10,092,817	(799,929)	(5,799,929)	65.48	0.96	2.17
10	Vanguard Group	9,056,406	9,056,406	9,056,406	0	0	59.11	0.86	1.95
11	ClearBridge Advisors	9,712,089	8,512,089	8,512,089	0	(1,200,000)	33.14	0.81	1.83
12	Janus Capital Mgmt.	7,796,255	7,796,255	7,796,255	0	0	48.86	0.74	1.68
13	Delaware Inv. Advisors	9,135,610	8,147,746	7,547,746	(600,000)	(1,587,864)	78.18	0.72	1.62
14	TIAA-CREF Asset Mgmt.	7,281,457	7,281,457	7,281,457	0	0	65.24	0.69	1.57
15	State Street Global Advisors	6,597,198	6,597,198	6,597,198	0	0	46.15	0.63	1.42
16	Waddell & Reed	2,382,370	5,682,370	5,682,370	0	3,300,000	85.65	0.54	1.22
17	Goldman Sachs Asset Mgmt.	7,215,425	4,844,682	4,844,682	0	(2,370,743)	73.67	0.46	1.04
18	TCW Asset Mgmt.	4,703,902	4,703,902	4,703,902	0	0	39.65	0.45	1.01
19	Columbia Mgmt. (BofA)	4,147,081	4,147,081	4,147,081	0	0	72.30	0.39	0.89
20	CalPERS	4,116,863	4,116,863	4,116,863	0	0	48.53	0.39	0.89
21	Walter Scott & Partners	4,070,591	4,070,591	4,070,591	0	0	69.76	0.39	0.88
22	GE Asset Management	3,788,047	3,988,047	3,988,047	0	200,000	76.95	0.38	0.86
23	RCM Capital Mgmt.	3,060,596	3,060,596	3,260,596	200,000	200,000	68.45	0.31	0.70
24	Bellevue Asset Mgmt. (BB Biotech)	3,192,536	3,192,536	3,192,536	0	0	81.66	0.30	0.69
25	UBS Global Asset	1,055,402	1,055,402	3,055,402	2,000,000	2,000,000	82.22	0.29	0.66
	Top 25 Institutional Shareholders	267,407,491	251,312,739	259,319,810	8,007,071	(8,087,681)	$64.41	24.65 %	55.77 %

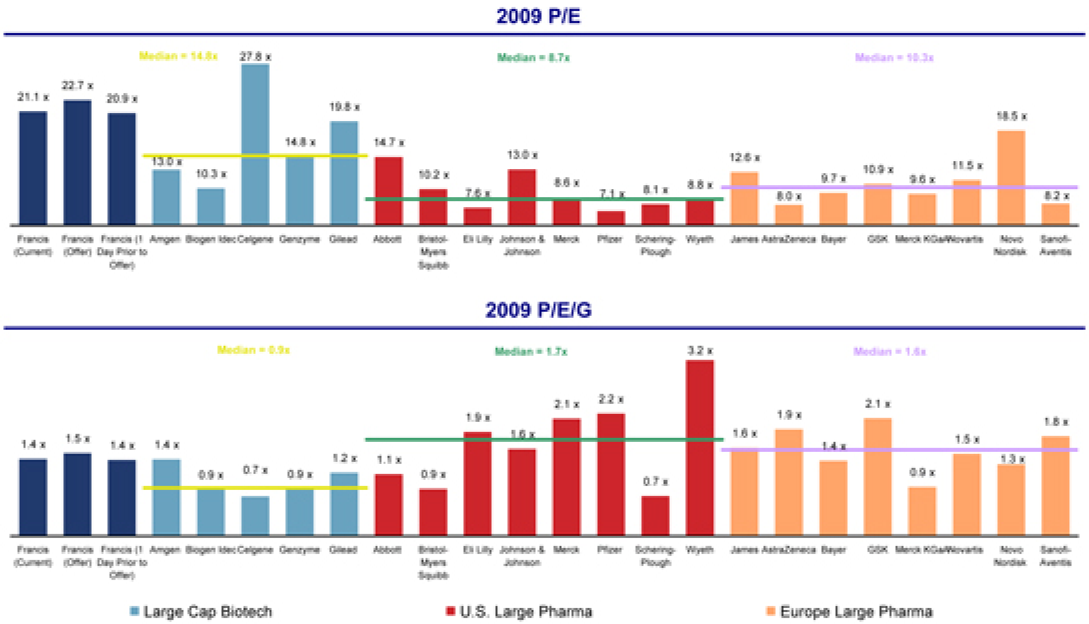
Source: Bloom Partners
Note: Capital Research Global and Capital World Investors have been combined. Walter Scott & Partners is Scotland-based investment firm.

Goldman Sachs

Comparison of Public Trading Multiples

Francis vs. Large Cap Biotech and Large Pharma

As of 30-Oct-2008



Source: IBES median estimates as of 30-Oct-2008

Goldman Sachs

Comparison of Selected Comparable Companies

Large Cap Biotech

($ in millions, except per share data)

	Price as of 30-Oct-2008	52-Week High	Diluted Market Cap	Diluted Enterprise Value	Long-Term EPS Growth	EV / LTM Sales	P/E 2008E	P/E 2009E	P/E to Growth 2008E	P/E to Growth 2009E
Francis	$82.75	83.7 %	$89,360	$85,362	15.0 %	7.1 x	24.1 x	21.1 x	1.6 x	1.4 x
1 - Month Average	81.82	82.8	88,298	84,300	15.0	7.1	23.8	20.9	1.6	1.4
3 - Month Average	90.78	91.9	98,575	94,577	15.0	7.9	26.4	23.2	1.8	1.5
Large Cap Biotech[1]										
Amgen	$60.53	91.9 %	$64,101	$66,631	9.3 %	4.5 x	13.3 x	13.0 x	1.4 x	1.4 x
Biogen Idec	40.30	53.1	11,758	11,311	12.0	2.6	11.1	10.3	0.9	0.9
Celgene	63.99	83.1	32,623	30,393	38.0	19.3	41.3	27.8	1.1	0.7
Genzyme	70.20	84.3	19,460	18,819	17.0	4.7	17.6	14.8	1.0	0.9
Gilead	46.71	81.8	45,211	44,042	17.0	9.9	22.9	19.8	1.3	1.2
High		91.9 %	$64,101	$66,631	38.0 %	19.3 x	41.3 x	27.8 x	1.4 x	1.4 x
Mean		78.8	34,631	34,239	18.7	8.2	21.2	17.1	1.2	1.0
Median		83.1	32,623	30,393	17.0	4.7	17.6	14.8	1.1	0.9
Low		53.1	11,758	11,311	9.3	2.6	11.1	10.3	0.9	0.7

Source: Latest publicly available financial statements, IBES median estimates and Wall Street research as of 30-Oct-2008

[1] Selected Biotech includes profitable companies with Market Cap >$10bn.

Goldman Sachs

Comparison of Selected Comparable Companies

Large Pharma

($ in millions, except per share data)

	Price as of 30-Oct-2008	52-Week High	Diluted Market Cap	Diluted Enterprise Value	Long-Term EPS Growth	EV / LTM Sales	P/E 2008E	P/E 2009E	P/E to Growth 2008E	P/E to Growth 2009E
Francis	$82.75	83.7 %	$89,360	$85,362	15.0 %	7.1 x	24.1 x	21.1 x	1.6 x	1.4 x
1 - Month Average	81.82	82.8	88,298	84,300	15.0	7.1	23.8	20.9	1.6	1.4
3 - Month Average	90.78	91.9	98,575	94,577	15.0	7.9	26.4	23.2	1.8	1.5
Large Pharma										
James	$141.13	74.8 %	$122,176	$117,331	7.8 %	2.5 x	14.0 x	12.6 x	1.8 x	1.6 x
Abbott	54.56	90.2	84,984	134,197	13.0	5.0	16.4	14.7	1.3	1.1
AstraZeneca	41.46	92.2	59,966	111,492	4.1	3.7	8.4	8.0	2.1	1.9
Bayer	52.67	62.8	40,261	106,436	7.1	2.5	10.4	9.7	1.5	1.4
Bristol-Myers Squibb	20.51	68.3	40,618	84,049	11.8	4.2	12.1	10.2	1.0	0.9
Eli Lilly	32.83	57.4	37,326	76,240	4.0	4.0	8.2	7.6	2.1	1.9
GSK	18.65	82.8	96,180	106,497	5.1	2.9	11.4	10.9	2.2	2.1
Johnson & Johnson	60.57	83.9	170,675	170,769	8.2	2.7	13.4	13.0	1.6	1.6
Merck	30.19	49.7	64,681	62,341	4.0	2.6	9.2	8.6	2.3	2.1
Merck KGaA	83.79	70.4	18,216	70,226	10.6	7.6	10.5	9.6	1.0	0.9
Novartis	48.65	85.0	110,218	155,761	7.6	3.8	12.8	11.5	1.7	1.5
Novo Nordisk	51.78	85.2	33,030	38,861	14.0	5.3	20.0	18.5	1.4	1.3
Pfizer	17.86	72.6	120,394	148,869	3.2	3.1	7.5	7.1	2.4	2.2
Sanofi-Aventis	60.50	70.8	79,039	84,673	4.5	2.3	8.8	8.2	2.0	1.8
Schering-Plough	14.07	45.0	22,881	72,383	11.0	5.0	8.5	8.1	0.8	0.7
Wyeth	32.53	65.7	43,377	81,921	2.8	3.6	9.2	8.8	3.3	3.2
	High	92.2 %	$170,675	$170,769	14.0 %	7.6 x	20.0 x	18.5 x	3.3 x	3.2 x
	Mean	72.3	71,501	101,378	7.4	3.8	11.3	10.4	1.8	1.7
	Median	71.7	62,324	95,555	7.3	3.6	10.4	9.6	1.7	1.6
	Low	45.0	18,216	38,861	2.8	2.3	7.5	7.1	0.8	0.7

Source: Latest publicly available financial statements, IBES median estimates and Wall Street research as of 30-Oct-2008

Goldman Sachs

Comparison of Selected Transactions

($ in millions)

Date Announced	Acquiror	Target	Equity Consideration ($ mm) (a)	Enterprise Consideration ($ mm) (a)	LTM Sales Multiple	Premium to 1 Day prior Price (%)	Premium to 1 Month prior Price (%) (b)
06-Oct-2008	Eli Lilly	Imclone Systems	$ 6,500	$ 6,164	9.8 x	50.7 %	76.1 %
10-Apr-2008	Takeda	Millennium	8,831	7,936	15.0	52.9	93.1
29-Nov-2007	Eisai	MGI Pharma	3,898	3,734	10.1	38.7	25.8
18-Nov-2007	Celgene	Pharmion	2,839	2,590	9.7	46.1	53.5
23-Apr-2007	AstraZeneca	MedImmune	15,560	15,219	11.9	20.8	70.0
20-Feb-2007	Shire	New River	2,660	2,498	NM	9.7	15.4
30-Oct-2006	Merck	Sirna Therapeutics	1,132	1,090	NM	100.2	135.5
17-Oct-2006	Eli Lilly	ICOS	2,140	2,303	NM	18.0	25.4
02-Oct-2006	Gilead	Myogen	2,473	2,315	NM	49.7	50.0
21-Sep-2006	Merck KGaA	Serono	13,504	12,316	5.8	20.2	30.5
15-May-2006	AstraZeneca	Cambridge Antibody Technology	1,364	1,070	2.7	66.9	71.4
14-Dec-2005	Amgen	Abgenix	2,660	2,580	NM	53.6	67.7
01-Sep-2005	Novartis (c)	Chiron	5,085	5,162	2.9	23.5	23.3
07-Sep-2005	GlaxoSmithKline	ID Biomedical	1,447	1,504	NM	13.5	46.6
16-Jun-2005	Pfizer	Vicuron	1,916	1,789	NM	84.2	67.3
21-Apr-2005	Shire	Transkaryotic Therapies	1,575	1,445	18.7	21.6	58.5
18-May-2004	UCB	Celltech	2,708	2,445	4.2	28.0	19.0
29-Mar-2004	Amgen (d)	Tularik	1,450	1,291	NM	47.1	33.0
26-Feb-2004	Genzyme	ILEX Oncology	1,048	947	27.2	25.0	10.5
		High	**$ 15,560**	**$ 15,219**	**27.2 x**	**100.2 %**	**135.5 %**
		Mean	**4,147**	**3,916**	**10.7**	**40.5**	**51.2**
		Median	**2,660**	**2,445**	**9.8**	**38.7**	**50.0**
		Low	**1,048**	**947**	**2.7**	**9.7**	**10.5**

Source: FactSet, public filings and press releases
Note: Highlighted deals denote pre-existing ownership and/or major product collaboration between target and acquiror prior to acquisition.
(a) Foreign company valuations converted to $US using the applicable exchange rate on date of announcement.
(b) Based on closing price twenty trading days prior to announcement.
(c) Novartis acquired the remaining 113mm shares which it did not already own in Chiron for $45 in cash per share. Premiums based on unaffected stock prices.
(d) Amgen acquired the remaining 78.7% interest or 52.7mm shares which it did not already own in Tularik for $25 in common stock per share.

Appendix C: Updated WACC Analysis

Goldman Sachs

Weighted Average Cost of Capital Analysis

As of 30-Oct-2008

Selected Comparables

Company	Net Debt (1)	Market Equity	Predicted Equity Beta (2)	Adjusted Asset Beta
Francis	-	$89,362	0.74	0.74
Amgen	$2,530	64,101	0.69	0.67
Biogen Idec	-	11,758	0.86	0.86
Celgene	-	29,319	0.85	0.85
Genzyme	-	18,859	0.76	0.76
Gilead	-	42,969	1.03	1.03
Mean			0.84	0.83
Median			0.85	0.85

WACC Calculation

Risk Free Rate (3)	4.7%
Median Comparables Asset Beta	0.85
Francis Total Debt/Market Equity (4)	2.8%
Assumed Tax Rate (5)	36%
Predicted Equity Beta	0.85
Equity Risk Premium (6)	5.1%
Cost of Equity	9.0%
Cost of Debt	5.0%
After-Tax Cost of Debt	3.2%
WACC	8.8%

WACC Sensitivity Table

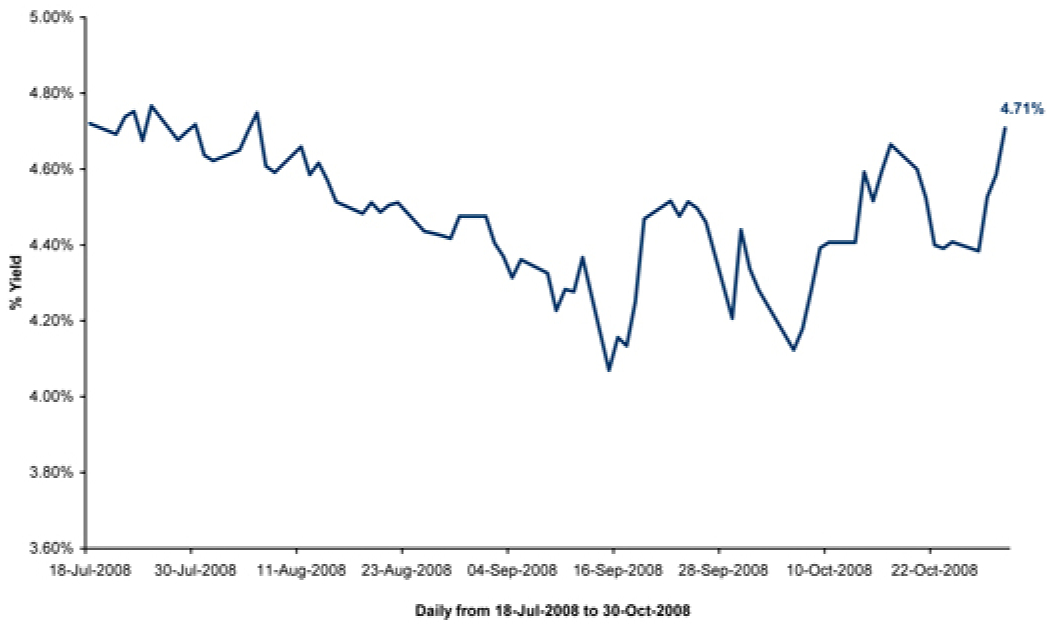
Equity Beta	Equity Risk Premium (%) 4.6%	4.8%	5.1%	5.3%	5.6%
0.75	8.0%	8.2%	8.3%	8.5%	8.7%
0.80	8.2%	8.4%	8.6%	8.8%	9.0%
0.85	8.4%	8.6%	8.8%	9.0%	9.2%
0.90	8.6%	8.9%	9.1%	9.3%	9.5%
0.95	8.9%	9.1%	9.3%	9.6%	9.8%

Source: Company filings, Ibbotson and Bloomberg
(1) For levering and re-levering beta, assumed to be zero if net debt is negative.
(2) Bloomberg 5 year weekly predicted betas.
(3) Yield on 30-year 5 1/4% U.S. Treasury due 2028 as of 30-Oct-2008.
(4) Francis Total Debt/Market Equity as of 30-Jun-2008, fully diluted Market Cap as of 30-Oct-2008.
(5) Assumed tax rate per Francis management.
(6) U.S. Equity Risk Premium as of year-end 2007 per Ibbotson data.

Risk Free Rate

Yield on 30-year 5 1/4% U.S. Treasury due 2028

Since James Offer

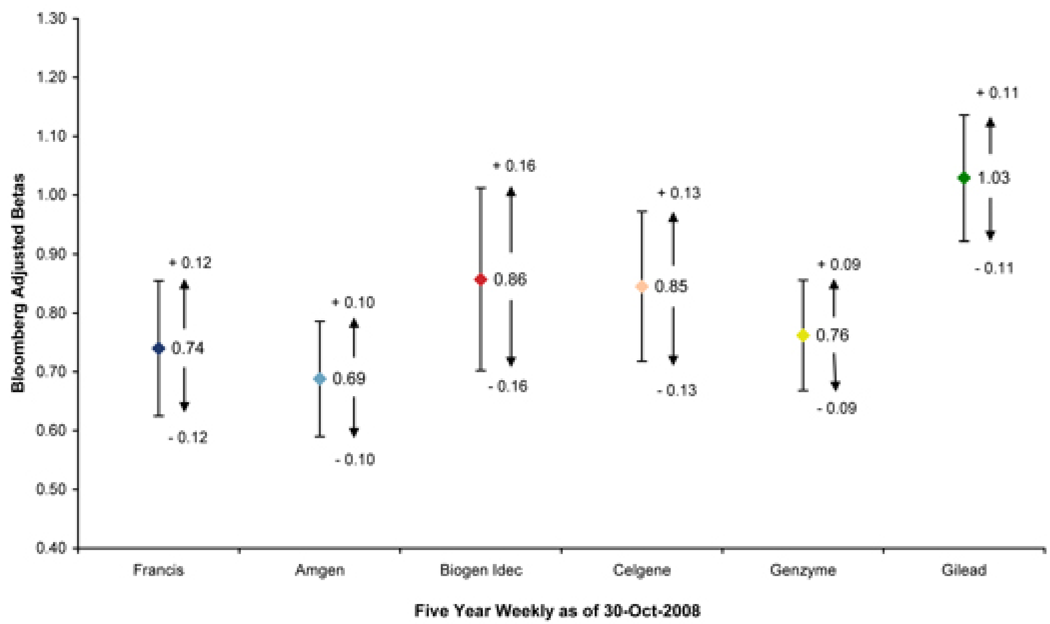


Source: Bloomberg as of 30-Oct-2008

Bloomberg Adjusted Betas

Five Year Weekly

As of 30-Oct-2008



Source: Bloomberg as of 30-Oct-2008

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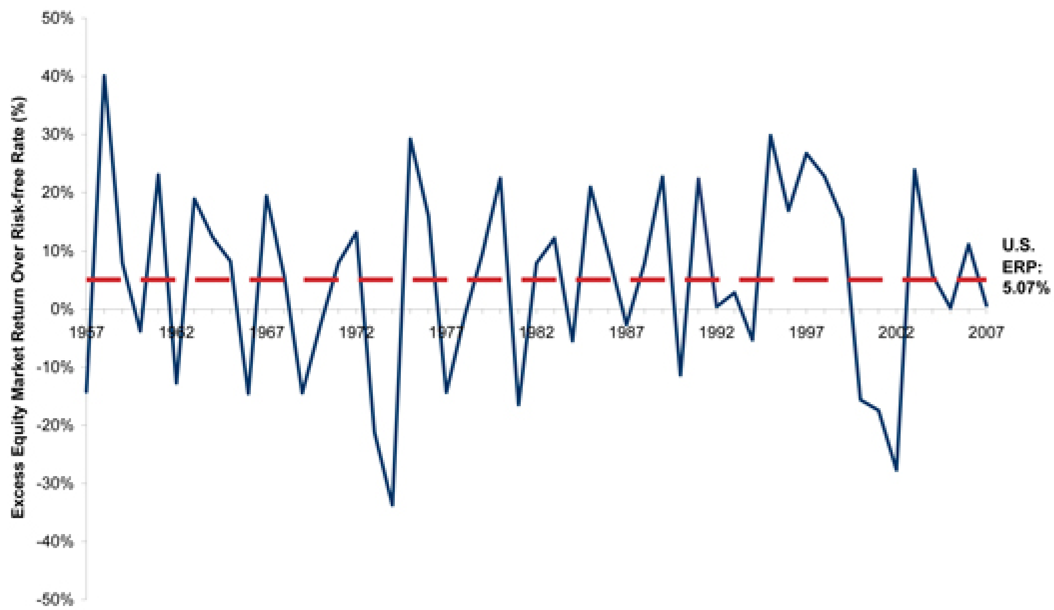
U.S. Equity Risk Premium

One-Year Excess Equity Market Return Over Risk-free Rate

Ibbotson's Data



Source: Ibbotson's "Ibbotson SBBI 2008 Classic Yearbook"

Goldman Sachs

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Exhibit (c)(5)

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Discussion Materials for Francis Special Committee

Goldman, Sachs & Co.
10-Dec-2008

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Table of Contents

Goldman Sachs

I. Summary Overview

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Discussion Topics

- Factors to consider in assessing an appropriate response during the next interaction with Greenhill
  - Fundamental value
  - Stock price trading levels
  - Alternative courses of action
  - Investor perspectives
- Impact of the current market environment on our discussion
  - Credit markets and financing capabilities
- Communication strategy for 12-Dec meeting
- Anticipation of next steps and reaction from James

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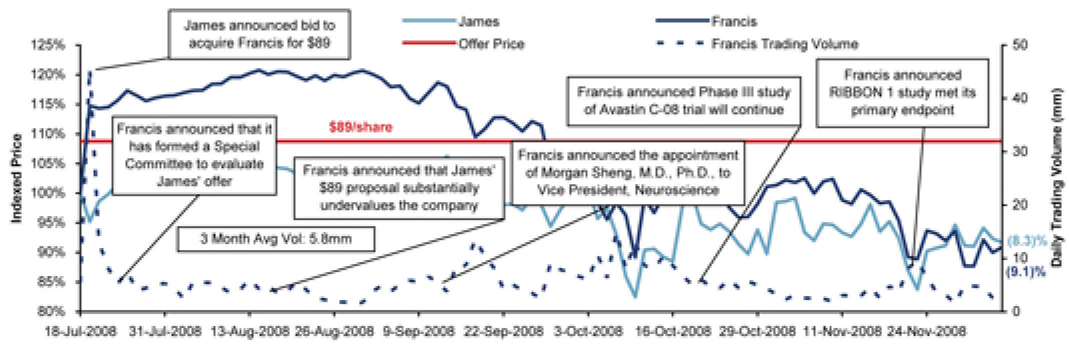
Project Nobel Market Tracker

	05-Dec-2008	Change From 1 Day Prior		Change Since 18-Jul-2008	1 Week	1 Month	3 Month	YTD
Francis	$74.38	$0.73	1.0 %	(9.1)%	(2.9)%	(11.4)%	(23.0)%	10.4 %
BTK	606.71	31.57	5.5	(23.7)	1.8	(8.3)	(24.4)	(23.0)
S&P 500	876.07	30.85	3.6	(30.5)	(2.3)	(8.1)	(29.5)	(39.5)
AMEX Pharmaceutical Index	257.29	7.65	3.1	(16.0)	0.9	(2.0)	(14.6)	(23.6)
James	CHF164.70	(CHF1.20)	(0.7)%	(8.3)%	(3.1)%	(1.8)%	(10.2)%	(14.2)%
Swiss Exchange	5,530.84	(118.30)	(2.1)	(19.0)	(4.9)	(10.5)	(20.7)	(33.5)
FTSE 350 Pharma & Biotech	7,910.66	74.73	1.0	4.4	5.8	(0.3)	(4.4)	0.6
James (ADR)	$68.15	$0.24	0.4	(22.6)	(2.2)	(3.2)	(17.1)	(21.1)
Currency Exchange Rate (CHF / $)	1.2203	0.0249	2.08 %	19.31 %	0.55 %	5.38 %	9.07 %	9.00 %



Source: FactSet as of 05-Dec-2008

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II. Updated Financial Analysis

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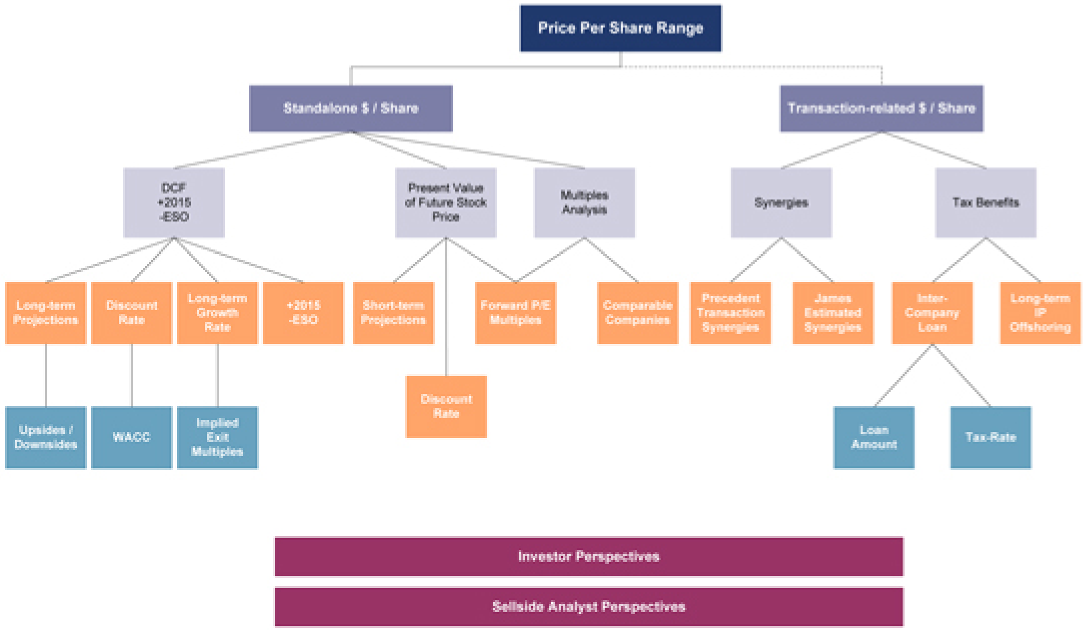
Financial Analysis Framework



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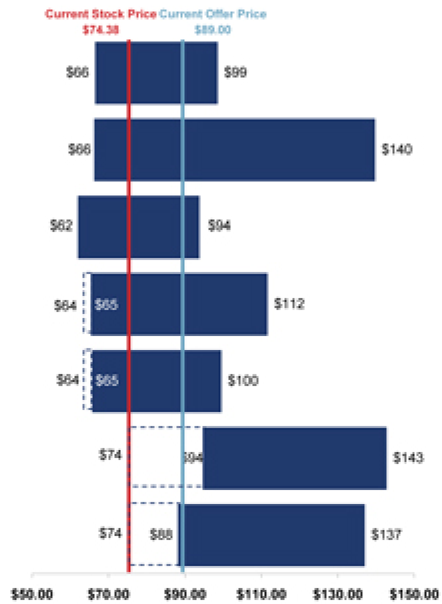
Financial Analysis Overview

Summary

($ Per Share)



Methodology	Equity Value Per Diluted Share	Comments
52-Week Trading Range	$66 – $99	■ 52-Week High: $98.81 ■ 52-Week Low: $66.27
Wall Street Equity Research Deal Price Speculation	$66 – $140	■ Wall Street High Target Price: $140.00 ■ Wall Street Low Target Price: $66.00
Comparable Companies (2009E P/E) – Management and IBES EPS Estimates	$62 – $94	■ Forward earnings multiple of 16 – 24x on 2009E EPS ■ Management base case 2009E EPS of $3.86 ■ IBES median 2009E EPS of $3.92
Present Value of Future Stock Price – P/E – Management Base Case	$64 / $65 – $112	■ Forward earnings multiple of 16 – 24x on EPS ■ 9.0% cost of equity (dotted box represents 11.0%) ■ Management base case 2010E and 2011E EPS of $4.44 and $5.54
Present Value of Future Stock Price – P/E – IBES	$64 / $65 – $100	■ Forward earnings multiple of 16 – 24x on EPS ■ 9.0% cost of equity (dotted box represents 11.0%) ■ IBES median 2010E and 2011E EPS of $4.46 and $4.94
Whole Co DCF – Base Case (2024)	$74 / $94 – $143	■ 2 – 4% perpetuity growth rate ■ 8 – 10% discount rate (dotted box represents 11.9% discount rate at 2% perpetuity growth rate) ■ Includes 2015 opt-in value and ESO expense
Whole Co DCF – Base Case (2018)	$74 / $88 – $137	■ 2 – 4% perpetuity growth rate ■ 8 – 10% discount rate (dotted box represents 11.4% discount rate at 2% perpetuity growth rate) ■ Includes 2015 opt-in value and ESO expense

Source: Francis management projections, Wall Street research and FactSet as of 05-Dec-2008

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A. Public Markets Perspective

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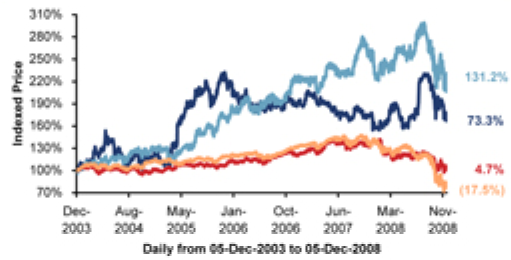
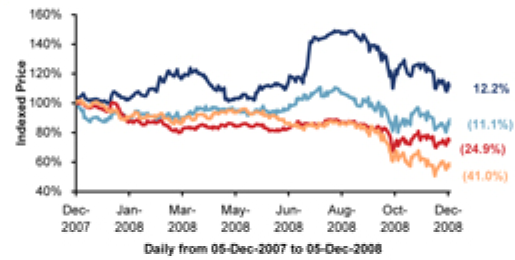
Relative Stock Price Performance History

Francis vs Large Cap Biotech, Large Pharma and S&P 500 Index

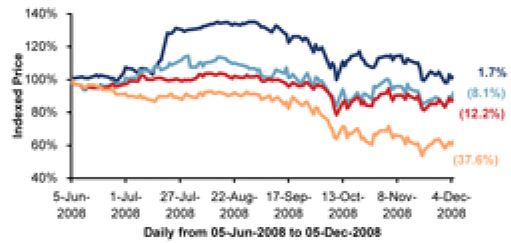
5 Years



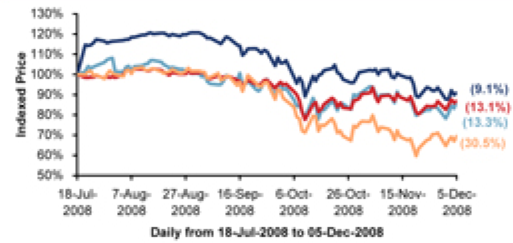
1 Year



6 Months



Since Offer



Francis — Large Cap Biotech [1] — Large Pharma [2] — S&P 500 Index

Source: FactSet as of 05-Dec-2008
[1] Large Cap Biotech Composite includes: Amgen, Biogen Idec, Celgene, Genzyme and Gilead.
[2] Large Pharma Composite includes: Abbott, AstraZeneca, Bayer, Bristol-Myers Squibb, Eli Lilly, GSK, JNJ, Merck, Novartis, Novo Nordisk, Pfizer, Sanofi-Aventis, Schering-Plough and Wyeth.

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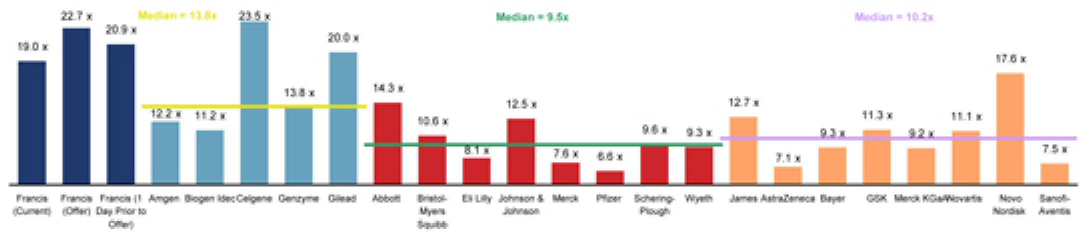
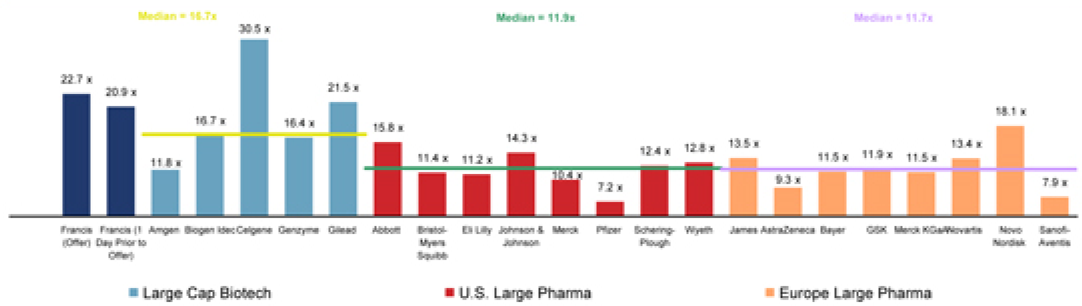
Comparison of Public Trading Multiples

Francis vs. Large Cap Biotech and Large Pharma

2009 P/E (Current)



2009 P/E (As of 18-Jul-2008)



Source: IBES median estimates as of 05-Dec-2008 and 18-Jul-2008

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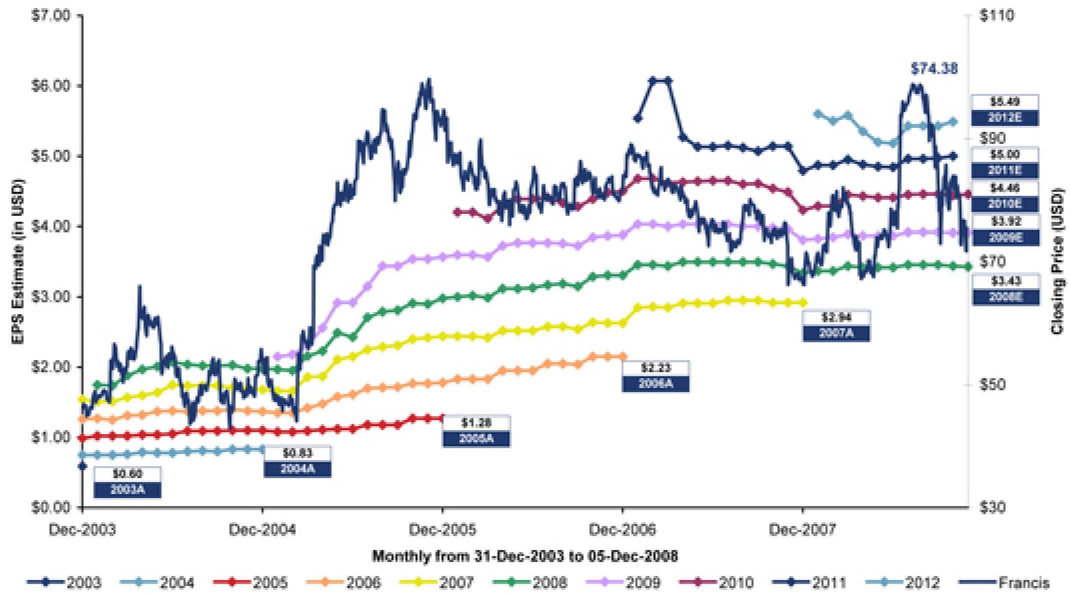
Evolution of Analyst Estimates

Francis

Last Five Years



Source: FactSet and IBES median estimates as of 05-Dec-2008
Note: IBES median estimates exclude stock based compensation expense

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Francis Research Analyst Price Targets

($ Per Share)

Date Updated	Bank	Price Target Before Announcement	12-Aug Price Target	Current Price Target	Most Recent Deal Price Speculation
24-Nov-2008	Baird	$87	$95	$100	$100-$110
24-Nov-2008	Bank of America	95	100	100	100+
24-Nov-2008	Barclays Capital	N/A	N/A	105	105
24-Nov-2008	Bernstein Research	86	101	97	95-125
24-Nov-2008	BMO Capital Markets	82	104	104	104
24-Nov-2008	Deutsche Bank	85	97	97	N/A
24-Nov-2008	Jefferies & Company	78	95	100	100+
24-Nov-2008	JP Morgan	100	100	105	110+
24-Nov-2008	Lazard	90	97	98	95-100
24-Nov-2008	Natixis	76	95	85	66-104
24-Nov-2008	Oppenheimer	88	88	105	102-110
24-Nov-2008	Rodman & Renshaw	90	90	90	N/A
03-Nov-2008	Thomas Weisel Partners	81	81	81	89-109
29-Oct-2008	Citi	N/A	N/A	96	96
15-Oct-2008	RBC Capital	84	95	100	95-100
14-Oct-2008	Morgan Stanley	94	110	105	105-140
13-Aug-2008	Lehman Brothers	75	105	N/A	105
13-Aug-2008	UBS	92	105	N/A	115-135
	High	$100	$110	$105	$140
	Mean	86	97	98	104[1]
	Median	87	97	100	105[1]
	Low	75	81	81	66

Source: Wall Street research
[1] *Mean and median based on the midpoint of the deal price speculation range.*

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Analysis at Various Prices

($ in millions, except per share data)

Price Per Share		$89.00	$95.00	$100.00	$105.00	$110.00	$115.00	$120.00	$125.00	$130.00
Total Equity Consideration - Diluted		$95,657	$102,431	$108,079	$113,727	$119,376	$125,024	$130,673	$136,321	$141,970
Net Debt (2008E)		(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)
Enterprise Value		$89,657	$96,431	$102,079	$107,727	$113,376	$119,024	$124,673	$130,321	$135,970
Premium / (Discount) to Stock Price										
Current (as of 05-Dec-2008)	$74.38	19.7 %	27.7 %	34.4 %	41.2 %	47.9 %	54.6 %	61.3 %	68.1 %	74.8 %
18-Jul-2008 Close Price	81.82	8.8	16.1	22.2	28.3	34.4	40.6	46.7	52.8	58.9
1 Day Prior	81.16	9.7	17.1	23.2	29.4	35.5	41.7	47.9	54.0	60.2
30-Day Average	75.96	17.2	25.1	31.7	38.2	44.8	51.4	58.0	64.6	71.2
6-Month Average	74.05	20.2	28.3	35.0	41.8	48.5	55.3	62.0	68.8	75.6
Revenue										
LTM	$12,680	7.1 x	7.6 x	8.1 x	8.5 x	8.9 x	9.4 x	9.8 x	10.3 x	10.7 x
2008E	13,403	6.7	7.2	7.6	8.0	8.5	8.9	9.3	9.7	10.1
2009E	14,118	6.4	6.8	7.2	7.6	8.0	8.4	8.8	9.2	9.6
2010E	15,099	5.9	6.4	6.8	7.1	7.5	7.9	8.3	8.6	9.0
2011E	16,648	5.4	5.8	6.1	6.5	6.8	7.1	7.5	7.8	8.2
EBITDA										
LTM	$5,283	17.0 x	18.3 x	19.3 x	20.4 x	21.5 x	22.5 x	23.6 x	24.7 x	25.7 x
2008E	6,251	14.3	15.4	16.3	17.2	18.1	19.0	19.9	20.8	21.8
2009E	6,676	13.4	14.4	15.3	16.1	17.0	17.8	18.7	19.5	20.4
2010E	7,144	12.5	13.5	14.3	15.1	15.9	16.7	17.5	18.2	19.0
2011E	8,021	11.2	12.0	12.7	13.4	14.1	14.8	15.5	16.2	17.0
EPS										
LTM	$2.86	31.1 x	33.2 x	35.0 x	36.7 x	38.5 x	40.2 x	42.0 x	43.7 x	45.5 x
2008E	3.43	26.0	27.7	29.2	30.6	32.1	33.6	35.0	36.5	37.9
2009E	3.85	23.1	24.7	26.0	27.3	28.6	29.9	31.2	32.5	33.8
2010E	4.43	20.1	21.4	22.6	23.7	24.8	26.0	27.1	28.2	29.3
2011E	5.56	16.0	17.1	18.0	18.9	19.8	20.7	21.6	22.5	23.4

Source: Francis management projections and public company filings

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Francis Top Institutional Shareholders Composition

As of 31-Oct-2008		% O/S
James Holdings	587,189,380	55.81%
Non-James Holding	464,844,149	44.19%
Shares Outstanding	1,052,033,529	

As of 28-Nov-2008	% O/S of Minority
Hedge Fund / Arb	10.60%
Non-Hedge Fund / Arb	89.40%

Top Shareholders (Sorted by "Current Position")

Rank	Institution Name	Position 18-Jul-2008 (Based on 30-Jun-2008 13F Filings)	Position 07-Nov-2008	Current Position 14-Nov-2008	Change vs. 07-Nov-2008	Change vs. 18-Jul-2008	Avg. Cost	Current %O/S of Total	Current %O/S of Minority
1	Fidelity Mgmt. & Research	41,806,660	50,865,067	50,865,067	0	9,058,407	$65.50	4.83%	10.94%
2	Marsico Capital	27,214,792	25,632,703	25,632,703	0	(1,582,089)	42.37	2.44	5.51
3	AllianceBerstein (AXA)	17,112,145	20,383,000	20,583,000	200,000	3,470,855	74.12	1.96	4.43
4	T. Rowe Price	17,256,456	16,932,149	16,932,149	0	(324,307)	75.79	1.61	3.64
5	Capital Guardian Trust	19,376,837	15,024,240	14,524,240	(500,000)	(4,852,597)	78.21	1.38	3.12
6	Barclays Global	15,306,210	14,219,787	14,219,787	0	(1,086,423)	54.51	1.35	3.06
7	Jennison Associates	10,779,817	12,179,817	12,179,817	0	1,400,000	68.79	1.16	2.62
8	Vanguard Group	9,056,406	9,109,061	9,109,061	0	52,655	59.28	0.87	1.96
9	Capital Research & Mgmt.	15,350,000	8,021,900	8,021,900	0	(7,328,100)	65.05	0.76	1.73
10	Goldman Sachs Asset Mgmt.	7,215,425	7,685,325	7,685,325	0	469,900	77.89	0.73	1.65
11	Delaware Inv. Advisors	9,135,610	7,319,756	7,319,756	0	(1,815,854)	78.18	0.70	1.57
12	Waddell & Reed	2,382,370	7,211,504	7,211,504	0	4,829,134	85.76	0.69	1.55
13	State Street Global Advisors	6,597,198	7,196,948	7,196,948	0	599,750	49.72	0.68	1.55
14	ClearBridge Advisors	9,712,089	7,120,773	7,120,773	0	(2,591,316)	33.14	0.68	1.53
15	TIAA-CREF Asset Mgmt.	7,281,457	5,465,793	5,465,793	0	(1,815,664)	65.24	0.52	1.18
16	Wellington Mgmt.	15,892,746	4,236,952	4,236,952	0	(11,655,794)	67.45	0.40	0.91
17	TCW Asset Mgmt.	4,703,902	4,001,837	4,001,837	0	(702,065)	39.65	0.38	0.86
18	CalPERS	4,116,863	3,750,023	3,750,023	0	(366,840)	48.53	0.36	0.81
19	Walter Scott & Partners	4,070,591	3,689,052	3,689,052	0	(381,539)	69.76	0.35	0.79
20	GE Asset Management	3,788,047	3,548,906	3,548,906	0	(239,141)	76.95	0.34	0.76
21	Paulson & Co.	0	3,424,400	3,424,400	0	3,424,400	88.93	0.33	0.74
22	Orbimed Advisors	2,716,480	3,280,680	3,280,680	0	564,200	53.54	0.31	0.71
23	RCM Capital Mgmt.	3,060,596	3,260,596	3,260,596	0	200,000	68.72	0.31	0.70
24	Janus Capital Mgmt.	7,796,255	3,239,280	3,239,280	0	(4,556,975)	48.86	0.31	0.70
25	Citigroup Global Markets (US)	1,806,259	3,145,282	3,145,282	0	1,339,023	89.38	0.30	0.68
	Top 25 Institutional Shareholders	263,535,211	249,944,831	249,644,831	(300,000)	(13,890,380)	$65.01	23.73%	53.71%

Source: Bloom Partners
Note: Capital Research Global and Capital World Investors have been combined. Walter Scott & Partners is Scotland-based investment firm.

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B. Present Value of Future Stock Price Analysis

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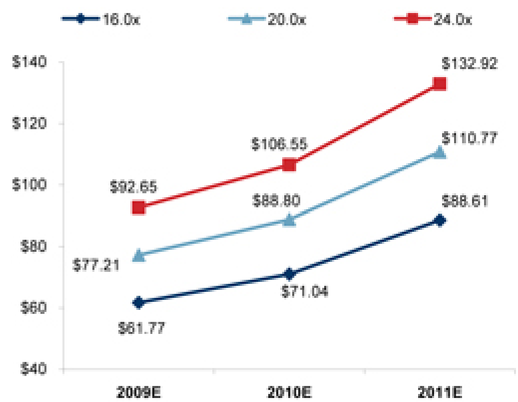
Present Value of Future Stock Price Analysis

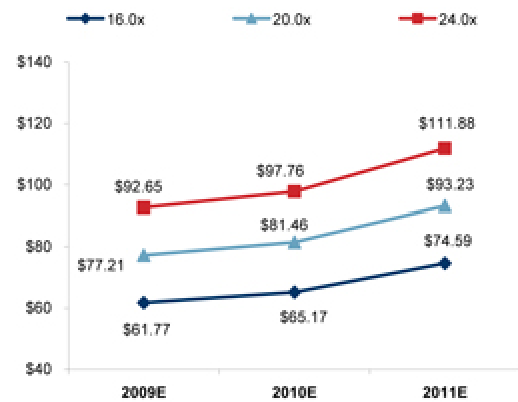
Management Case, Adjusted for Share Repurchases at One Year Forward at 20.0x P/E[1]

($ Per Share)

Future Stock Price (Undiscounted)



Present Value at 9.0% Cost of Equity



	2009E	2010E	2011E	2008E - 2011E CAGR [3]
EPS (Mgmt Forecast)[1]	$ 3.86	$ 4.44	$ 5.54	17.0%
IBES	$ 3.92	$ 4.46	$ 4.94[2]	12.6%

Source: Francis management projections and IBES

[1] Assumes cash of $3.6bn, $7.2bn and $5.5bn for 2009E-2011E, respectively, used to repurchase shares based on management projections. Price of share repurchase assumed to be 20.0x one year forward EPS per Management Case ($88.80, $110.77 and $133.43 for 2009E-2011E, respectively).

[2] 2011E IBES mean based on selected composite from Wall Street research.

[3] 2008E EPS per Francis management.

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C. Discounted Cash Flow Analysis

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Key Assumptions to Francis Management Projections

Near-term

Long-term

- Avastin adjuvant CRC trial (C-08)
  - Base case: 61% PTS in Q2 2009
  - Upside case: Q2 '09 results are positive with positive PTS adjustments to other adjuvant trials
  - Downside case: Q2 '09 trial end is negative with negative PTS adjustments to other adjuvant trials
- Price / reimbursement impacts
  - Base case assumes 3% annual price increases excluding Avastin and Lucentis
  - Avastin price increase contingent upon breast trial outcome
- 2015 James commercial agreement expiration
  - Assumes status quo type of terms
  - Management expects more favorable market terms than current (modeled separately)
- Tax rate assumptions
  - Base case assumes off-shore manufacturing tax benefits trend tax-rate to approximately 29%
- FOB Assumptions
  - Assumptions factor in number of entrants, physician acceptance and price discounts by product
- Unnamed product PTS and market opportunity
  - Assumes large and small molecule NMEs
  - Launch to filing PTS of 20% and 11%, respectively
  - Market opportunity of $1bn per NME indication (including two line extensions)
    - Upside case of $2.3bn total market opportunity (1 in 5 are "Avastin-like")
    - Downside case of $750mm total market opportunity

Source: Francis management

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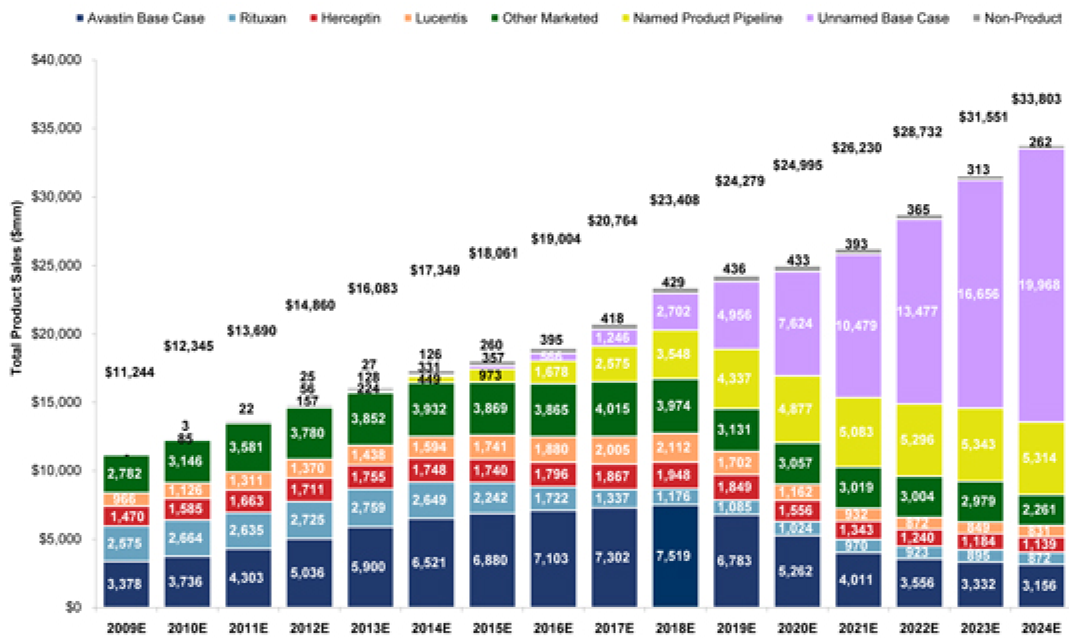
Francis Forecasted Product Sales Breakdown

($ in millions)



Source: Francis management projections

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Discounted Cash Flow Analysis of Francis

Key Assumptions

- Discounted Cash Flow analysis provides a framework to evaluate the ongoing performance of the business, but should be considered in a broader context of approaches (e.g., comparable transaction and trading multiples)
- Projections from 2009 to 2024 provided by Francis Management as of 16-Nov-2008 and provided to James and Greenhill
  - Projections by product were provided for Avastin, Rituxan, Herceptin, Lucentis as well as for the unnamed pipeline
- Assumes 1,052mm basic shares outstanding, as of 31-Oct-2008
  - Current options outstanding included in share count by the treasury stock method
  - Options schedule provided by Francis management as of 14-Nov-2008
- Financial Sensitivity Analysis:
  - Discount rates evaluated using a range of 8.0% - 10.0% based on WACC analysis
  - Terminal value evaluated using perpetuity growth rate method using a range of 2.0% - 4.0%
    - Implied P/E terminal multiple also evaluated
- Assumes 2008E net cash of $6 billion
- Assumes capital expenditures of $820mm and depreciation of $661mm in 2024 terminal year, per Company management (assumes normalization in the terminal year)
- Assumes an adjusted tax rate applied to operating income that trends from 36% in 2009 to 29% in 2024 terminal year per management forecast
- Assumes cash flows discounted back to 01-Jan-2009 using mid-year convention
- Analysis includes impact of:
  - Future employee stock options expense: Assumes $328mm in after-tax ESO expense in 2009 with a 3.0% inflation rate and a range of 2.0% - 4.0% of growth in headcount into perpetuity
  - Changes to James / Francis marketing agreement post 2015 per management guidance on expected market rate terms: "Marked to market" 2015 opt-in value derived from discounting projected product royalties from large and small molecules in the unnamed pipeline beginning in 2016, with a range of 2.0% - 4.0% perpetuity growth rate

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Summary Management Forecast

2009E – 2015E

($ in millions, except per share data)

	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2009E - 2012E CAGR	2009E - 2015E CAGR
Revenues:									
Avastin Base Case	$3,378	$3,736	$4,303	$5,036	$5,900	$6,521	$6,880	14.2%	12.6%
Rituxan	2,575	2,664	2,635	2,725	2,759	2,649	2,242	1.9%	(2.3)%
Herceptin	1,470	1,585	1,663	1,711	1,755	1,748	1,740	5.2%	2.9%
Lucentis	966	1,126	1,311	1,370	1,438	1,594	1,741	12.3%	10.3%
Other Named Products and Pipeline	2,782	3,149	3,603	3,836	3,980	4,381	4,841	11.3%	9.7%
Unnamed Base Case	-	-	-	25	27	126	260		
Non-Product	73	85	175	157	224	331	357		
Product Sales	$11,244	$12,345	$13,690	$14,860	$16,083	$17,349	$18,061		
Royalties	2,501	2,465	2,617	2,681	2,723	2,809	2,551		
Contract & Other	373	289	342	497	563	660	805		
Total Revenue	**$ 14,118**	**$ 15,099**	**$ 16,648**	**$ 18,038**	**$ 19,370**	**$ 20,817**	**$ 21,418**	8.5%	7.2%
Cost and Expenses:									
Cost of Sales	$1,541	$1,794	$1,872	$1,760	$1,784	$1,947	$1,969		
R&D	2,824	3,020	3,330	3,608	3,874	4,163	4,284		
MSG&A	2,233	2,183	2,321	2,432	2,495	2,692	2,828		
Profit Sharing	1,352	1,544	1,664	1,688	1,581	1,654	1,645		
Total Cost & Exp.	**$7,950**	**$8,541**	**$9,187**	**$9,488**	**$9,734**	**$10,456**	**$10,726**		
Operating Income	**$6,169**	**$6,558**	**$7,461**	**$8,550**	**$9,636**	**$10,361**	**$10,692**	11.5%	9.6%
EBITDA	**$6,676**	**$7,144**	**$8,021**	**$9,125**	**$10,213**	**$10,946**	**$11,285**	11.0%	9.1%
Other Income, Net	147	240	382	499	496	531	647		
Earnings (Pre-Tax)	**$6,316**	**$6,799**	**$7,843**	**$9,049**	**$10,132**	**$10,892**	**$11,339**	12.7%	10.2%
Taxes	2,275	2,311	2,457	2,739	3,027	3,244	3,370		
Net Income	**$4,041**	**$4,487**	**$5,386**	**$6,310**	**$7,105**	**$7,648**	**$7,969**	16.0%	12.0%
WASO	1,051	1,013	969	933	893	860	846		
EPS	**$3.85**	**$4.43**	**$5.56**	**$6.76**	**$7.96**	**$8.90**	**$9.42**	**20.7%**	**16.1%**
Growth and Margins Analysis									
Revenue Growth	-	6.9 %	10.3 %	8.3 %	7.4 %	7.5 %	2.9 %		
R&D as % of Revenue	20.0	20.0	20.0	20.0	20.0	20.0	20.0		
MSG&A as % of Revenue	15.8	14.5	13.9	13.5	12.9	12.9	13.2		
EBIT Margin	43.7	43.4	44.8	47.4	49.7	49.8	49.9		
EBITDA Margin	47.3	47.3	48.2	50.6	52.7	52.6	52.7		
EPS Growth	-	15.2	25.4	21.7	17.7	11.8	5.8		
Selected Balance Sheet Metrics									
Cash & Equivalents [1]	$8,131	$5,975	$7,413	$8,178	$8,961	$11,738	$17,526		
Total Debt	2,268	1,755	1,741	1,724	1,705	1,683	658		
Selected Cash Flow Metrics									
Depreciation	$507	$586	$559	$575	$577	$585	$594		
Capital Expenditures	(546)	(560)	(620)	(600)	(554)	(545)	(593)		
(Increase) / Decrease in Working Capital	(50)	(371)	125	(68)	(122)	(132)	(58)		

Source: Company management projections as of 16-Nov-2008

[1] *Includes short-term investments*

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Cash Flow Analysis

($ in millions)

	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	'09E - '15E CAGR	'15E - '24E CAGR	'09E - '24E CAGR
Revenue	$14,118	$15,099	$16,648	$18,038	$19,370	$20,817	$21,418	$22,273	$24,171	$26,897	$27,542	$28,398	$29,883	$32,825	$36,099	$38,764	7.2%	6.8%	7.0%
Operating Income	$6,169	$6,558	$7,461	$8,550	$9,636	$10,361	$10,692	$11,173	$12,414	$14,148	$14,450	$14,217	$14,609	$16,182	$17,970	$19,604	9.6%	7.0%	8.0%
Taxes	(2,219)	(2,220)	(2,311)	(2,548)	(2,838)	(3,041)	(3,121)	(3,252)	(3,662)	(4,223)	(4,116)	(4,095)	(4,203)	(4,756)	(5,269)	(5,732)			
Unlevered Net Income	$3,950	$4,339	$5,150	$6,002	$6,798	$7,320	$7,570	$7,920	$8,752	$9,925	$10,334	$10,122	$10,406	$11,426	$12,701	$13,872	11.5%	7.0%	8.7%
Depreciation	$507	$586	$559	$575	$577	$585	$594	$593	$594	$606	$613	$638	$625	$622	$635	$661			
CapEx	(546)	(560)	(620)	(600)	(554)	(545)	(593)	(647)	(640)	(716)	(688)	(722)	(782)	(808)	(833)	(820)			
(Increase) / Decrease in Working Capital	(50)	(371)	125	(68)	(122)	(132)	(58)	(91)	(222)	(228)	(126)	7	(197)	(231)	(397)	(746)			
Unlevered Free Cash Flow	$3,861	$3,994	$5,214	$5,909	$6,699	$7,228	$7,513	$7,776	$8,483	$9,588	$10,133	$10,044	$10,052	$11,010	$12,105	$12,968	11.7%	6.3%	8.4%
EBITDA	6,676	7,144	8,021	9,125	10,213	10,946	11,285	11,766	13,007	14,754	15,063	14,855	15,234	16,804	18,605	20,266	9.1%	6.7%	7.7%
Adjusted Tax Rate	36.0%	33.8%	31.0%	29.8%	29.4%	29.3%	29.2%	29.1%	29.5%	29.8%	28.5%	28.8%	28.8%	29.4%	29.3%	29.2%			

Source: Company management projections as of 16-Nov-2008

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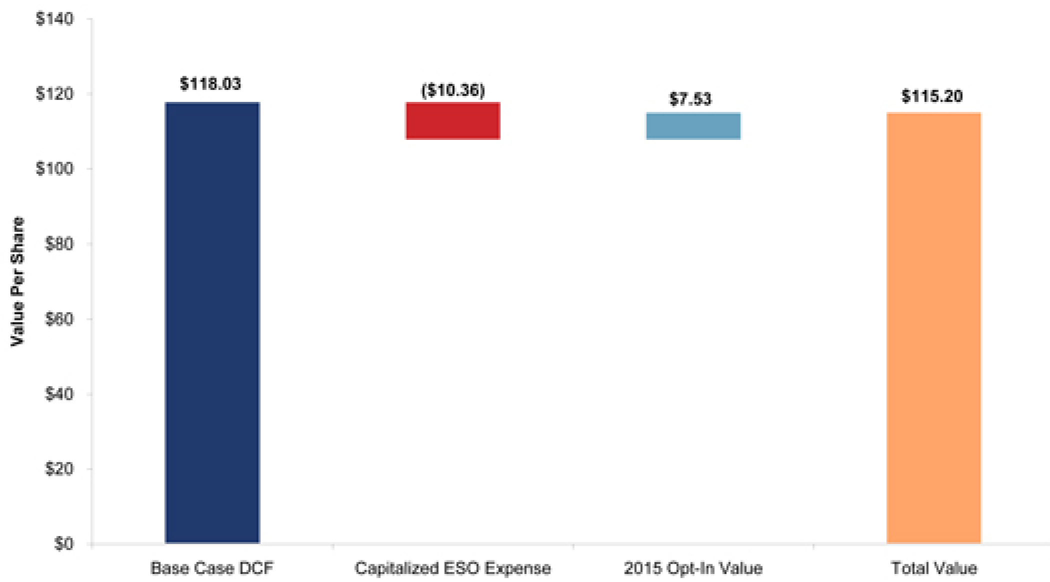
Illustrative Components of Discounted Cash Flow Analysis

Base Case: Assumes 3.0% Perpetuity Growth Rate and 9.0% Discount Rate

($ Per Share)



Source: Financial projections and scenarios per Francis management as of 16-Nov-2008
Note: Assumes 1,052mm basic shares outstanding, as of 31-Oct-2008. Fully diluted shares outstanding calculated using treasury stock method based on options schedule provided by Francis management. Assumes net cash of $6 billion and cash flows discounted to 01-Jan-2009

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Discounted Cash Flow Analysis of Francis

Financial Sensitivities

2024 Terminal Year

Enterprise Value

Perpetuity Growth Rate

Discount Rate	2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$95,828	$97,900	$100,190	$102,713	$105,463
9.5 %	103,717	106,234	109,018	112,071	115,340
9.0 %	112,800	115,868	119,252	122,910	126,643
8.5 %	123,333	127,077	131,160	135,401	139,119
8.0 %	135,632	140,179	144,975	149,367	150,725

Equity Value Per Share

Perpetuity Growth Rate

Discount Rate	2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$94.47	$96.30	$98.33	$100.56	$103.00
9.5 %	101.45	103.68	106.14	108.85	111.74
9.0 %	109.49	112.21	115.20	118.44	121.74
8.5 %	118.81	122.13	125.74	129.50	132.79
8.0 %	129.70	133.73	137.97	141.86	143.06

% of Enterprise Value in Terminal Value

Perpetuity Growth Rate

Discount Rate	2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	39.9 %	41.8 %	44.0 %	46.4 %	49.2 %
9.5 %	42.2	44.3	46.7	49.5	52.7
9.0 %	44.6	47.0	49.7	52.8	56.7
8.5 %	47.2	49.8	52.9	56.7	61.6
8.0 %	49.9	52.9	56.6	61.3	68.7

Implied 2024 P/E[1]

Perpetuity Growth Rate

Discount Rate	2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	10.6 x	11.4 x	12.3 x	13.3 x	14.5 x
9.5 %	11.3	12.2	13.2	14.4	15.7
9.0 %	12.1	13.1	14.3	15.6	17.3
8.5 %	13.0	14.2	15.5	17.2	19.2
8.0 %	14.1	15.4	17.0	19.0	21.5

Source: Financial projections and scenarios per Francis management as of 16-Nov-2008
Note: Includes capitalized ESO expense and "marked to market" 2015 opt-in value. Assumes 1,052mm basic shares outstanding, as of 31-Oct-2008. Fully diluted shares outstanding calculated using treasury stock method based on options schedule provided by Francis management. Assumes net cash of $6 billion and cash flows discounted to 01-Jan-2009
[1] P/E as implied by net income per Francis management projections

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Discounted Cash Flow Analysis of Francis

Financial Sensitivities

2018 Terminal Year

Enterprise Value

Perpetuity Growth Rate

Discount Rate	2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$88,445	$91,365	$94,624	$98,265	$102,319
9.5 %	95,338	98,772	102,614	106,902	111,629
9.0 %	103,246	107,302	111,839	116,859	122,226
8.5 %	112,379	117,182	122,516	128,257	133,809
8.0 %	122,995	128,665	134,808	140,846	144,262

Equity Value Per Share

Perpetuity Growth Rate

Discount Rate	2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$87.93	$90.51	$93.40	$96.62	$100.21
9.5 %	94.03	97.07	100.47	104.27	108.45
9.0 %	101.03	104.62	108.64	113.08	117.83
8.5 %	109.12	113.37	118.09	123.17	128.09
8.0 %	118.51	123.53	128.97	134.32	137.34

% of Enterprise Value in Terminal Value

Perpetuity Growth Rate

Discount Rate	2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	56.5 %	58.7 %	61.0 %	63.5 %	66.4 %
9.5 %	58.4	60.7	63.2	66.1	69.4
9.0 %	60.4	62.8	65.6	68.9	72.8
8.5 %	62.4	65.1	68.3	72.1	77.2
8.0 %	64.5	67.6	71.3	76.2	84.1

Implied 2024 P/E[1]

Perpetuity Growth Rate

Discount Rate	2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	11.9 x	12.8 x	13.8 x	14.9 x	16.2 x
9.5 %	12.7	13.7	14.8	16.1	17.6
9.0 %	13.6	14.7	16.0	17.5	19.3
8.5 %	14.6	15.9	17.4	19.2	21.4
8.0 %	15.7	17.3	19.1	21.3	24.1

Source: Financial projections and scenarios per Francis management as of 16-Nov-2008
Note: Includes capitalized ESO expense and "marked to market" 2015 opt-in value. Assumes 1,052mm basic shares outstanding, as of 31-Oct-2008. Fully diluted shares outstanding calculated using treasury stock method based on options schedule provided by Francis management. Assumes net cash of $6 billion and cash flows discounted to 01-Jan-2009
[1] P/E as implied by net income per Francis management projections

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2015 Opt-In Valuation Assumptions

Key Assumptions

- Management forecast assumes current James / Francis royalty arrangement remains in place post 2015 with ~15% royalty rate
- Incremental value assumes a market royalty rate of 20% to 30% less the existing 15% royalty rate assumed in the management forecast
- $500M peak for lead indication and $250M peak sales for each line extension
  - Ex-U.S. sales equal to 100% of U.S. sales
- 35% marginal tax rate applied to post-2015 royalty revenues
- NMEs per year from 2015-2025 consistent with the management base case
- NMEs post 2025 held constant at 13 NMEs per year
  - Sensitivity analysis varies the 13 base case NMEs per year +/- 2 NMEs per year
- Revenues projected to 2060 (beginning in 2022) and discounted to 01-Jan-2009 using mid-year convention
  - Discount rate of 8.0 to 10.0%

Incremental Value Per Share

Discount Rate	Royalty Rate 20%	23%	25%	28%	30%
10.0 %	$2.67	$4.01	$5.35	$6.69	$8.02
9.5 %	3.16	4.74	6.33	7.91	9.49
9.0 %	3.77	5.65	7.53	9.42	11.30
8.5 %	4.52	6.78	9.04	11.30	13.56
8.0 %	5.48	8.22	10.95	13.69	16.43

Incremental Value Per Share

Discount Rate	Incremental Slots (2.0)	(1.0)	0.0	1.0	2.0
10.0 %	$3.19	$4.26	$5.35	$7.24	$9.14
9.5 %	3.78	5.04	6.33	8.48	10.63
9.0 %	4.51	6.01	7.53	9.99	12.45
8.5 %	5.42	7.22	9.04	11.87	14.70
8.0 %	6.58	8.75	10.95	14.24	17.52

Source: Company management
Note: Assumes 1,052mm basic shares outstanding, as of 31-Oct-2008. Fully diluted shares outstanding calculated using treasury stock method based on options schedule provided by Francis management.

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Employee Stock Option Expense Assumptions

($ in millions, except per share data)

Key Assumptions

- Employee stock expense per management estimates
- Assumes Black Scholes based estimate of 2009 after-tax employee stock option expense of $328 million
- 6% annual growth rate of ESO issuance consists of an assumed 3% annual inflation plus 3% annual employee growth
  - Sensitivity analysis varies 6% ESO growth rate by +/- 1.0% to reflect potential changes in inflation and employee growth
- Net present value projected per Francis management
  - Discount rate of 8.0 to 10.0%

Total Value

Discount Rate	ESO Growth Rate 5.0 %	5.5 %	6.0 %	6.5 %	7.0 %
10.0 %	($6,840)	($7,565)	($8,473)	($9,639)	($11,194)
9.5 %	(7,588)	(8,498)	(9,668)	(11,228)	(13,412)
9.0 %	(8,524)	(9,698)	(11,262)	(13,453)	(16,739)
8.5 %	(9,728)	(11,297)	(13,494)	(16,790)	(22,283)
8.0 %	(11,332)	(13,536)	(16,842)	(22,352)	(33,372)

Total Value Per Share

Discount Rate	ESO Growth Rate 5.0 %	5.5 %	6.0 %	6.5 %	7.0 %
10.0 %	($6.35)	($7.01)	($7.85)	($8.92)	($10.34)
9.5 %	(7.02)	(7.85)	(8.92)	(10.35)	(12.35)
9.0 %	(7.86)	(8.93)	(10.36)	(12.36)	(15.36)
8.5 %	(8.94)	(10.37)	(12.37)	(15.38)	(20.39)
8.0 %	(10.38)	(12.38)	(15.39)	(20.41)	(30.46)

Source: Company management
Note: Assumes 1,052mm basic shares outstanding, as of 31-Oct-2008. Fully diluted shares outstanding calculated using treasury stock method based on options schedule provided by Francis management.

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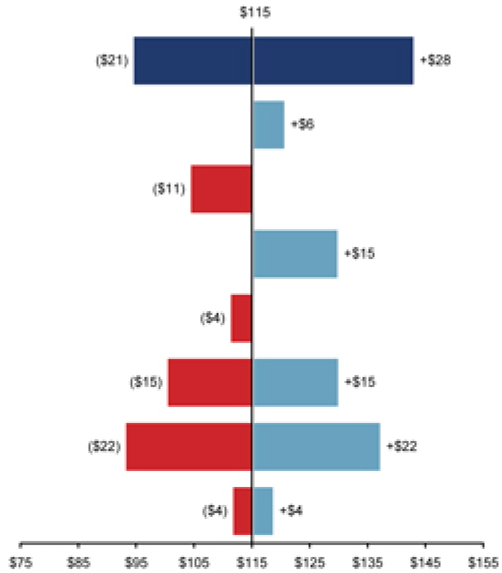
Illustrative Review of Financial Analysis

Sensitivity Analysis

($ Per Share)

Item	Methodology
Base Case	Range of 8% to 10% discount rate and 2% to 4% perpetuity growth rate
<u>Scenarios[1]</u>	
Adjuvant Upside	70% PTS for adjuvant lung and breast indications; early positive C-08 results in Q2 2009
Adjuvant Downside	10% PTS for adjuvant lung and breast indications; negative C-08 results by Q2 2009
Unnamed Pipeline Upside	Greater market opportunity – one in five future molecules added to portfolio have an Avastin like sales potential (~$2.3 billion peak sales)
Unnamed Pipeline Downside	Reduced overall market opportunity to $750 million for each product
Volume	-10% to +10% incremental change in volume / total revenue (constant margins)
Pricing	-10% to +10% incremental change in pricing (no change in costs)
Follow-on Biologic	-20% to +20% incremental follow-on biologic erosion for top 4 products (constant margins)

Equity Value Per Diluted Share



Source: Francis management projections
[1] Assumes 3.0% perpetuity growth rate and 9.0% discount rate

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D. Transaction-Related Financial Analysis

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Transaction-Related Source of Value

- Synergies to James
  - James publicly acknowledges $750 to $850 million in synergy opportunity
    - Precedent transactions show this estimate to be conservative when measured as a percentage of sales and operating expenses
- Tax Benefits
  - Inter-company loan: James acknowledges using inter-company tax strategies in recent acquisitions to reduce tax leakage
  - Long-term tax strategies: Under James' ownership, Francis can gradually lower the tax rate by moving existing IP and housing new IP in foreign jurisdictions as well as expanding Francis' current plan to offshore manufacturing activities
- The Intangibles – Control versus Ownership
  - *"Be very careful -- we control, but we don't own. And there is, as Bill or Severin pointed out, there is no free exchange of information, of know-how, of intellectual property; all that is today not possible. We are running two parallel organizations. We are running programs that are parallel and perhaps should not be parallel. We are developing the same drugs on the one hand in the United States through an organization; on the other hand, outside of the States through an organization. More and more large company overlaps are being created."*
    --- Franz Humer, Investor Conference, 22-Jul-2008

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Illustrative Benefits Related to Inter-Company Loan

($ in billions, except per share data)

Potential Inter-Company Loan Benefit

- James Swiss parent raises debt in non-U.S. jurisdictions
- James parent loans proceeds to its U.S. subsidiary at an arm's-length rate (e.g., 8%) to fund the buyout consideration (the "inter-company loan")
- The inter-company loan creates tax deductions in the U.S. which enhances after-tax cash flow from Francis' operations
  - Interest on inter-company loan is generally deductible for U.S. tax purposes provided aggregate interest expense does not exceed 50% of taxable EBITDA
  - Interest payments should not be subject to U.S. withholding tax under U.S.-Swiss tax treaty
- Need to determine whether and at what rate the interest income would be taxable in Switzerland
  - Generally, Swiss companies would be subject to tax on interest income at 25% tax rate, although there may be structures to reduce tax liability in Switzerland
- Illustrative tax shield assuming $30 billion in new debt:
  - ($30bn debt * 8% interest rate * 39% marginal tax rate) = $936mm annual benefit
  - If Swiss tax rate on interest income is 25%, net tax savings of $336mm; net benefit even greater if interest income is subject to even lower tax rate in Switzerland or the Netherlands

NPV Benefit of Inter-Company Loan at Various Swiss Tax Rates

Per Total Share

Swiss Tax Rate	Inter-Company Loan Amount ($bn)				
	$10.0	$20.0	$30.0	$40.0	$50.0
25 %	$1.14	$2.29	$3.43	$4.58	$5.72
20 %	1.55	3.11	4.66	6.21	7.77
15 %	1.96	3.92	5.89	7.85	9.81
10 %	2.37	4.74	7.11	9.48	11.85
5 %	2.78	5.56	8.34	11.12	13.90
0 %	3.19	6.38	9.57	12.75	15.94

Per Minority Share

Swiss Tax Rate	Inter-Company Loan Amount ($bn)				
	$10.0	$20.0	$30.0	$40.0	$50.0
25 %	$2.49	$4.98	$7.47	$9.95	$12.44
20 %	3.38	6.75	10.13	13.51	16.89
15 %	4.27	8.53	12.80	17.06	21.33
10 %	5.16	10.31	15.47	20.62	25.78
5 %	6.04	12.09	18.13	24.18	30.22
0 %	6.93	13.87	20.80	27.73	34.66

Note: Assumes 1,087 mm diluted shares outstanding. Assumes James owns 587mm shares and the remainder held by minority shareholders. Assumes 9.0% cost of capital. Assumes James will not pay down transaction debt and U.S. marginal tax rate of 39%.

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Illustrative Benefits Related to Long-Term Tax Strategies

- Over time James may be able to offshore Francis IP to achieve a lower overall tax rate
  - Immediate movement of IP offshore would generate a large one-time tax bill
- In addition, due to global operations, James may be able to accelerate and/or maintain offshore manufacturing tax benefits for a longer period
- The long term benefit of a tax rate that approximates James' current tax rate could contribute significant long-term value
- The table below shows the net value that could be created by trending to a 26% terminal year tax rate vs. a 29% tax rate

Present Value of Long-term Tax Strategies

Per Total Share

Discount Rate	Perpetuity Growth Rate: 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$0.75	$0.87	$1.00	$1.16	$1.34
9.5 %	0.99	1.13	1.29	1.49	1.72
9.0 %	1.26	1.44	1.65	1.89	2.18
8.5 %	1.60	1.82	2.08	2.39	2.78
8.0 %	2.00	2.28	2.62	3.03	3.54

Per Minority Share

Discount Rate	Perpetuity Growth Rate: 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$1.70	$1.97	$2.27	$2.62	$3.03
9.5 %	2.23	2.55	2.93	3.37	3.88
9.0 %	2.86	3.26	3.73	4.28	4.94
8.5 %	3.62	4.12	4.71	5.41	6.28
8.0 %	4.54	5.17	5.93	6.85	8.01

Note: Assumes 1,052mm basic shares outstanding, as of 31-Oct-2008. Fully diluted shares outstanding calculated using treasury stock method based on options schedule provided by Francis management. Assumes 44.2% minority holdings. Assumes James will not pay down transaction debt. Potential tax withholding related to interest income to parent entity is not included in analysis.

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Synergy Levels in Precedent Pharmaceutical Transactions

($ in millions)

Announced Transactions	Total Announced Cost Savings ($mm)	Total Cost Savings as a % of Prior Year Combined: Pharma Sales	Total Cost Savings as a % of Prior Year Combined: R&D + SG&A
James / Francis	*$750 - $850*	*2.5% - 2.8%*	*4.4% - 5.0%*
UCB / Schwarz	382	10.8	17.5
AstraZeneca / MedImmune	500	1.8	3.3
Roche / Syntex	825	10.6	21.4
Glaxo / Wellcome	1,165	9.4	19.9
Ciba-Geigy / Sandoz	1,500	7.8	17.7
Pfizer / Warner-Lambert [1]	1,700	8.1	14.5
Astra / Zeneca	1,900	8.5	14.1
Pharmacia / Upjohn	500	6.7	13.5
Glaxo / SmithKline	1,700	8.1	13.0
AHP / Monsanto [2]	1,400	6.2	12.9
Sanofi-Synthelabo / Aventis	1,940	6.1	12.5
Pfizer / Pharmacia	2,500	6.8	11.0
Monsanto / Pharmacia & Upjohn	600	5.7	9.4
AHP / Warner-Lambert [2]	1,200	6.9	9.1
	High	***10.8%***	***21.4%***
	Mean	***7.4***	***13.6***
	Median	***7.4***	***13.3***
	Low	***1.8***	***3.3***

Source: Publicly available information
[1] *Represents percentages based on Pharma businesses only. Adjusts for Warner-Lambert's consumer and confectionary businesses and Pfizer's animal health and consumer businesses.*
[2] *Deal withdrawn.*

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Illustrative Benefits Related to Incremental Synergy Benefits

- James has messaged $750 - $850mm in synergies
  - Precedent transactions indicate synergies could be substantially larger

EPS Impact to James

- The incremental impact of $100mm of pre-tax synergies is an annual CHF 0.11 per share to James EPS (0.8% of James 2009E EPS)

Present Value of Synergies

- Discounted by 8.0% - 10.0%, assuming no growth rate

Present Value of Synergies

Per Total Share

Cost of Capital	Annual Savings $750	$850	$1,500	$2,250
10.0 %	$4.41	$5.00	$8.83	$13.24
9.0 %	4.90	5.56	9.81	14.71
8.0 %	5.52	6.25	11.03	16.55

Per Minority Share

Cost of Capital	Annual Savings $750	$850	$1,500	$2,250
10.0 %	$9.60	$10.88	$19.19	$28.79
9.0 %	10.66	12.08	21.32	31.99
8.0 %	11.99	13.59	23.99	35.98

Note: Assumes 1,087 mm diluted shares outstanding. Assumes James owns 587mm shares and the remainder held by minority shareholders. Synergies taxed at Francis tax rate of approximately 36.0%. EPS benefit to James based on 1.22 CHF : USD exchange rate and 862.6 million James shares outstanding. Percentage change to James EPS based on 2009E Wall Street EPS of CHF 13.23.

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III. Credit Market Considerations and Transaction Analysis

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A. Credit Market Considerations

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Current Credit Market Considerations

- Financing markets are weak and continue to deteriorate as the financial system and the economy deleverages
  - Even investment grade companies face challenges raising capital in this environment
  - New issuance of investment grade debt down considerably compared to recent years
- Reduced bank capacity creates size constraints for completing large transactions
  - Decreased willingness by banks to provide large bridge facilities
  - Recent news articles cast doubt on James' ability to secure a bridge facility
    - *"The sheer size of the jumbo deal would eclipse today's shrinking loan market – a fact which senior banking sources say is putting pressure on James to consider alternative funding options. These could be a combination of loans, bonds, equity and cash."* Reuters, Prospects of $45bn loan for James receding, 30-Nov-2008
- However, James and Francis are considered stable, creditworthy companies, which makes it difficult to completely dismiss the ability to finance a deal
  - Generate significant cash flow
  - Low existing leverage levels
  - Healthcare considered a relatively stable sector during economic downturns

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New Investment Grade Bridge Market Dynamics

Issues for Consideration

- Given substantial market dislocation in the bank market, bridge terms for Investment Grade companies have evolved over recent months
- In light of bank concerns related to holding large funded bridges on balance sheet for extended periods of time, provisions almost never seen in Investment Grade bridges have become common in "today's market." Items include:
  - Funding fees to incent borrowers to pre-fund acquisitions in the capital markets
  - Duration fees and coupon step-ups to incent borrowers to reduce commitments post funding
  - Flex provisions to ensure a successful syndication
    - Interest rate and structural flex
- Coupon of bridge loan representative of actual credit risk, not necessarily existing credit lines

Bridge Facility Fee Components

Type	Stage Payable
Commitment Fee	■ At time of commitment
Closing / Funding Fee	■ At closing and generally on amount funded at Close
Duration Fees	■ Paid at the end of each 3 month interval ■ Can be considered as part of the overall bridge compensation to lenders

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Investment Grade Bank Market

How Pricing and Terms Have Evolved

	Where We Were	Where We Are	Where Are We Going?
Description:	— Bank balance sheets had massive amounts of liquidity with limited balance sheet constraints — Investment grade lending commoditized — Very aggressive lending competition	— Bank balance sheets very constrained — Investment grade lending very challenging and in some cases, not available — Decreased number of market participants coupled with very limited liquidity	— Bank balance sheets begin to repair themselves — Government equity investments help strengthen Tier 1 capital and ultimately will be taken out entirely — Liquidity comes back to Investment grade lending
Bank Lending Rationale:	— Opportunity for banks to develop a relationship and cross-sell ancillary businesses justified "off-market" loans	— Lend only to close relationship clients with demonstrated ancillary business and future revenue streams	— Continued relationship lending but with focus on lender cost of capital — Pricing based on credit risk
Pricing / Fees:	— Below market drawn spreads which did not reflect borrowers' true cost of capital — Limited to no upfront fees — Below lenders' own cost of capital	— Increased use of market based drawn spreads including, CDS/CDX based pricing, know as Relative Value Pricing ("RVP"), which reflects cost of buying protection against the borrower — Upfront fees reflect capital allocation cost — Pricing above lenders' cost of capital and emergence of lender based drawn spreads	— RVP pricing and market based drawn spreads — Upfront fees which reflect cost of capital allocation — Continuation of lender based drawn spreads to account for high cost of obtaining capital
Market Disruption Clauses:	— None, besides standard Affected Lender language	— Emergence of TED spread premiums and other lender cost of capital adjustments to help adjust for dislocation of bank market	— Structures will include lender cost of capital adjustment spreads related to dislocation of bank market and funding
Tenor:	— Revolver: 3 – 5 yr — Bridge: 1 – 3 Years	— Revolver: 364-Day — Bridge: 364-Day	— Revolver: 364-Day — Bridge: 364-Day
Terms	— Unsecured — Single covenant — Ex: Total Debt / Total Cap	— Unsecured; case specific flex to security for bridges — One to two covenants — Ex: Leverage and / or Coverage Test	— Unsecured; case specific flex to security for bridges — One to two covenants – Ex: Leverage and / or Coverage Test

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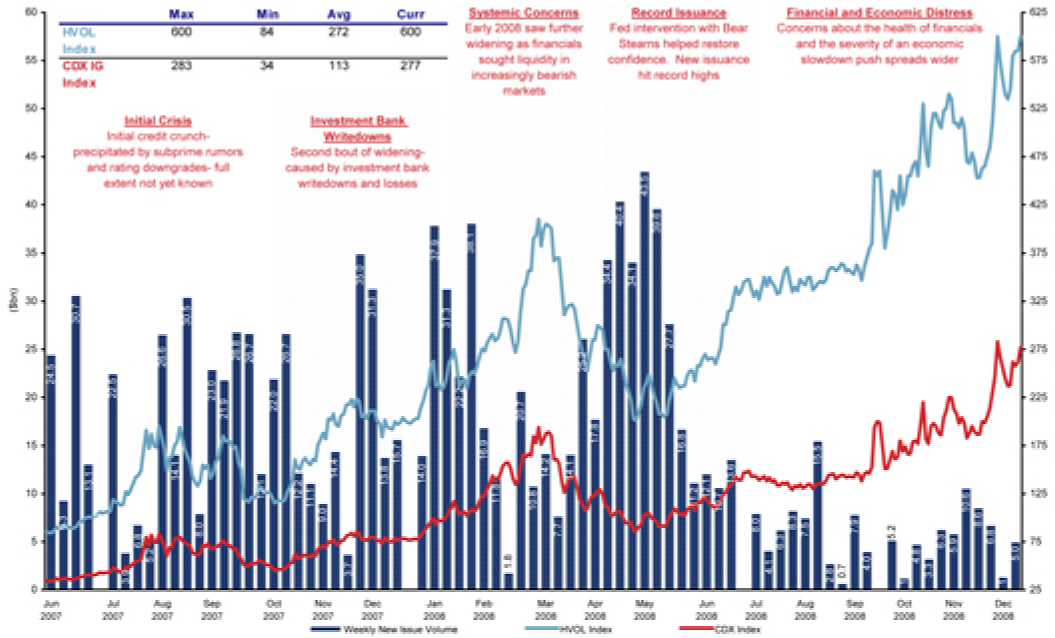
Credit Spreads Remain Elevated and Investment Grade Supply is Down 30% Year-over-Year

New Issuance Volume and Spreads Since September 2008



Sources: Internal GS; PlotTool

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B. Transaction Analysis

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Transaction Analysis Assumptions

- Projections based on Wall Street research dated 04-Dec-2008 for James, 16-Oct-2008 for Francis and Francis management projections as of 16-Nov-2008
- Achieves pre-tax synergies of $400 million in 2009E and $800 million in 2010E and 2011E
  - Excludes potential costs to achieve synergies
- Three acquisition scenarios shown at various prices: 1) 100% cash transaction; 2) first $40 billion paid with cash ($10 billion in existing cash and $30 billion in incremental debt), with remainder in James stock; and 3) 50% cash and 50% stock mix
  - In all scenarios, cash consideration consists of $10 billion in existing cash
  - Size of transaction and debt ratings are significant considerations in evaluating cost and capacity for debt
  - James shares issued at CHF 164.70 (USD $134.94), closing price as of 05-Dec-2008
- 3.0% opportunity cost of cash
- CHF10 billion minimum cash balance for pro forma company and James projected dividend payments per Wall Street research
  - Excess free cash flow used to service debt
- Assumes no amortization of excess purchase price due to ability of James to account for it on the balance sheet directly as a reduction in equity (Francis already consolidated)
- Assumes transaction closes 31-Dec-2008

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Leverage Analysis for James

Pro Forma for the Acquisition of Francis

(Figures in millions, except per share data)

Currency Exchange Rate (CHF / $)	1.22

Price Per Share ($)	**$89.00**	**$95.00**	**$100.00**	**$105.00**	**$110.00**	**$115.00**	**$120.00**	**$125.00**	**$130.00**
Price Per Share (CHF)	**CHF 108.62**	**CHF 115.95**	**CHF 122.05**	**CHF 128.15**	**CHF 134.26**	**CHF 140.36**	**CHF 146.46**	**CHF 152.56**	**CHF 158.67**
Minority Shares (mm)	**488**	**491**	**494**	**496**	**498**	**500**	**502**	**503**	**505**
Equity Consideration - Diluted	**$43,397**	**$46,648**	**$49,360**	**$52,072**	**$54,785**	**$57,497**	**$60,210**	**$62,923**	**$65,635**
	CHF 52,966	**CHF 56,934**	**CHF 60,244**	**CHF 63,554**	**CHF 66,865**	**CHF 70,176**	**CHF 73,486**	**CHF 76,797**	**CHF 80,108**
Existing Cash Used	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
	CHF 12,205	CHF 12,205	CHF 12,205	CHF 12,205	CHF 12,205	CHF 12,205	CHF 12,205	CHF 12,205	CHF 12,205
Incremental Financing Need	$33,897	$37,148	$39,860	$42,572	$45,285	$47,997	$50,710	$53,423	$56,135
	CHF 41,371	CHF 45,339	CHF 48,649	CHF 51,960	CHF 55,270	CHF 58,581	CHF 61,892	CHF 65,202	CHF 68,513
Estimated Average Financing Cost	4.1%	4.2%	5.2%	5.3%	5.7%	7.1%	7.1%	7.1%	7.1%
2008E Pro Forma Credit Profile (CHF mn)									
EBITDA	CHF 17,162	CHF 17,162	CHF 17,162	CHF 17,162	CHF 17,162	CHF 17,162	CHF 17,162	CHF 17,162	CHF 17,162
CapEx	3,300	3,300	3,300	3,300	3,300	3,300	3,300	3,300	3,300
Total Debt	45,997	49,965	53,275	56,586	59,896	63,207	66,518	69,828	73,139
Total Debt / EBITDA	2.7 x	2.9 x	3.1 x	3.3 x	3.5 x	3.7 x	3.9 x	4.1 x	4.3 x
Total Debt / (EBITDA - CapEx)	3.3	3.6	3.8	4.1	4.3	4.6	4.8	5.0	5.3
Net Debt	35,194	39,162	42,472	45,782	49,093	52,404	55,714	59,025	62,336
Net Debt / EBITDA	2.1 x	2.3 x	2.5 x	2.7 x	2.9 x	3.1 x	3.2 x	3.4 x	3.6 x
Net Debt / (EBITDA - CapEx)	2.5	2.8	3.1	3.3	3.5	3.8	4.0	4.3	4.5
Total Cash	10,803	10,803	10,803	10,803	10,803	10,803	10,803	10,803	10,803
2009E Pro Forma Credit Profile (CHF mn)									
EBITDA	CHF 19,505	CHF 19,505	CHF 19,505	CHF 19,505	CHF 19,505	CHF 19,505	CHF 19,505	CHF 19,505	CHF 19,505
CapEx	2,888	2,888	2,888	2,888	2,888	2,888	2,888	2,888	2,888
Total Debt	38,307	42,275	45,585	48,895	52,206	55,517	58,827	62,138	65,449
Total Debt / EBITDA	2.0 x	2.2 x	2.3 x	2.5 x	2.7 x	2.8 x	3.0 x	3.2 x	3.4 x
Total Debt / (EBITDA - CapEx)	2.3	2.5	2.7	2.9	3.1	3.3	3.5	3.7	3.9
Net Debt	28,307	32,275	35,585	38,895	42,206	45,517	48,827	52,138	55,449
Net Debt / EBITDA	1.5 x	1.7 x	1.8 x	2.0 x	2.2 x	2.3 x	2.5 x	2.7 x	2.8 x
Net Debt / (EBITDA - CapEx)	1.7	1.9	2.1	2.3	2.5	2.7	2.9	3.1	3.3
Total Cash	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Preliminary Long-term Credit Rating	AA- / A1	AA-,A+ / A1,A2	A+ / A2	A / A3 upside potential		A / A3	A- / Baa1	A- / Baa1	BBB+ / Baa2
Potential Notch Downgrade [1]	0 / 3	1 / 4	1 / 4	2 / 5		2 / 5	3 / 6	3 / 6	4 / 7
Preliminary Short-term Credit Rating	A-1+ / P-1	A-1+,A-1 / P-1	A-1 / P-1	<---- A-1 stable / P-1 at risk ---->		A-2 / P-2	A-2 / P-2	A-2 / P-2	A-2 / P-2

Source: Francis management projections

Note: Assumes debt paydown beginning in 2009 with a minimum CHF10,000 mn cash balance

[1] *Assumes current Moody's long-term rating of Aa1, which is under review for possible downgrade.*

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Comparison of Illustrative Financing Sources

100% Cash at $89 Per Share

(Figures in millions)

Current

- Near-term availability of bridge commitment to fund an all-cash deal is unlikely given continued deterioration of credit markets

Sources	USD	CHF
Stock Consideration	$0	CHF 0
Francis Cash Used	$6,337	CHF 7,734
James Existing Cash Used	3,663	4,471
Total Cash Used	$10,000	CHF 12,205
Debt Issuance:		
Commercial Paper @ 1.64%	$15,000	CHF 18,308
Bonds ($) @ 6.00%	10,000	12,205
Bonds (EUR) @ 6.00%	8,897	10,858
Term Loan @ 5.17%	0	0
Total Debt Issuance	$33,897	CHF 41,371
Total Sources	**$43,897**	**CHF 53,576**
Average Financing Cost @ $89 Per Share		4.1%
Average Financing Cost @ $110 Per Share		5.7%

As of 12-Aug-2008

- Banks willing and able to provide large bridge commitments (InBev, BHP)

Sources	USD	CHF
Stock Consideration	$0	CHF 0
Francis Cash Used	$6,337	CHF 6,859
James Existing Cash Used	3,663	3,964
Total Cash Used	$10,000	CHF 10,823
Debt Issuance:		
Commercial Paper @ 2.54%	$15,000	CHF 16,235
Bonds ($) @ 6.00%	10,000	10,823
Bonds (EUR) @ 6.25%	5,000	5,412
Term Loan @ 4.29%	4,328	4,684
Total Debt Issuance	$34,328	CHF 37,153
Total Sources	**$44,328**	**CHF 47,976**
Average Financing Cost @ $89 Per Share		4.3%
Average Financing Cost @ $110 Per Share		5.0%

Note: Assumes $89.00 per share acquisition price. Assumes exchange rate today of 1.22 CHF / 1 USD and exchange rate on 12-Aug of 1.08 CHF / 1 USD

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Illustrative Sources and Uses

$89 Per Share Acquisition Price

(Figures in millions)

	Sources						Uses		
	100% Cash		$30 Billion Maximum Financing; Remainder in Stock Consideration		50% Cash / 50% Stock				
	USD	CHF	USD	CHF	USD	CHF		USD	CHF
Stock Consideration	$0	CHF 0	$3,897	CHF 4,756	$21,698	CHF 26,483	Transaction Size at $89.00 Per Share	$43,397	CHF 52,966
Francis Cash Used	$6,337	CHF 7,734	$6,337	CHF 7,734	$6,337	CHF 7,734			
James Existing Cash Used	3,663	4,471	3,663	4,471	3,663	4,471			
Total Cash Used	$10,000	CHF 12,205	$10,000	CHF 12,205	$10,000	CHF 12,205	Financing / Transaction Fees	$500	CHF 610
Debt Issuance:									
Commercial Paper @ 1.64%	$15,000	CHF 18,308	$15,000	CHF 18,308	$12,198	CHF 14,888			
Bonds ($) @ 6.00%	10,000	12,205	7,500	9,154	0	0			
Bonds (EUR) @ 6.00%	8,897	10,858	7,500	9,154	0	0			
Term Loan @ 5.17%	0	0	0	0	0	0			
Total Debt Issuance	$33,897	CHF 41,371	$30,000	CHF 36,615	$12,198	CHF 14,888			
Total Sources	**$43,897**	**CHF 53,576**	**$43,897**	**CHF 53,576**	**$43,897**	**CHF 53,576**	**Total Uses**	**$43,897**	**CHF 53,576**

Note: Assumes $89.00 per share acquisition price

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Illustrative Accretion / (Dilution) Analysis

100% Cash

(Figures in millions, except per share data)

Currency Exchange Rate (CHF / $)	1.22

Price Per Share ($)		**$89.00**	**$95.00**	**$100.00**	**$105.00**	**$110.00**	**$115.00**	**$120.00**	**$125.00**	**$130.00**
Price Per Share (CHF)		**CHF 108.62**	**CHF 115.95**	**CHF 122.05**	**CHF 128.15**	**CHF 134.26**	**CHF 140.36**	**CHF 146.46**	**CHF 152.56**	**CHF 158.67**
Minority Shares (mm)		**488**	**491**	**494**	**496**	**498**	**500**	**502**	**503**	**505**
Equity Consideration - Diluted		**$43,397**	**$46,648**	**$49,360**	**$52,072**	**$54,785**	**$57,497**	**$60,210**	**$62,923**	**$65,635**
		CHF 52,966	**CHF 56,934**	**CHF 60,244**	**CHF 63,554**	**CHF 66,865**	**CHF 70,176**	**CHF 73,486**	**CHF 76,797**	**CHF 80,108**
Existing Cash Used		$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
		CHF 12,205	CHF 12,205	CHF 12,205	CHF 12,205	CHF 12,205	CHF 12,205	CHF 12,205	CHF 12,205	CHF 12,205
Incremental Financing Need		$33,897	$37,148	$39,860	$42,572	$45,285	$47,997	$50,710	$53,423	$56,135
		CHF 41,371	CHF 45,339	CHF 48,649	CHF 51,960	CHF 55,270	CHF 58,581	CHF 61,892	CHF 65,202	CHF 68,513
Estimated Average Financing Cost		4.1%	4.2%	5.2%	5.3%	5.7%	7.1%	7.1%	7.1%	7.1%
% Accretion / (Dilution) to James										
2009E		(1.8)%	(3.9)%	(6.9)%	(8.4)%	(10.7)%	(17.3)%	(18.3)%	(19.8)%	(21.4)%
2010E		(2.4)%	(4.3)%	(5.4)%	(6.3)%	(8.0)%	(13.8)%	(14.8)%	(16.2)%	(17.6)%
2011E		1.7%	0.3%	(0.8)%	(1.2)%	(2.0)%	(6.5)%	(7.3)%	(8.6)%	(9.8)%
Incremental Pre-tax Synergies to Breakeven										
2009E		CHF 276	CHF 594	CHF 1,046	CHF 1,272	CHF 1,628	CHF 2,625	CHF 2,777	CHF 3,015	CHF 3,252
2010E		416	723	918	1,072	1,355	2,352	2,513	2,750	2,987
2011E		NM	NM	151	228	381	1,234	1,395	1,632	1,870
Pro Forma EPS Growth	Standalone									
2008E - 2012E	12.6%	14.6%	14.3%	13.9%	13.7%	13.6%	12.8%	12.6%	12.3%	12.0%
Pro Forma P/E to Breakeven										
2009E	12.5x	12.7x	13.0x	13.4x	13.6x	13.9x	15.0x	15.2x	15.5x	15.8x
2010E	11.1x	11.4x	11.6x	11.8x	11.9x	12.1x	12.9x	13.1x	13.3x	13.5x
Implied Pro Forma PEG										
2009E	1.0x	0.9x	0.9x	1.0x	1.0x	1.0x	1.2x	1.2x	1.3x	1.3x
2010E	0.9x	0.8x	0.8x	0.8x	0.9x	0.9x	1.0x	1.0x	1.1x	1.1x

Note: Assumes cash consideration financed with $10 billion in existing cash and the remainder in new debt. Assumes $500mm in transaction fees paid with cash. Assumes 3.0% opportunity cost of cash. Assumes pre-tax synergies of $400 million in 2009E and $800 million in 2010E and 2011E. Standalone EPS growth per Wall Street research. Analysis does not include potential tax benefits James may realize.

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Illustrative Accretion / (Dilution) Analysis

$30 Billion Maximum Financing; Remainder in Stock Consideration

(Figures in millions, except per share data)

Currency Exchange Rate (CHF / $)	1.22

	Standalone									
Price Per Share ($)		**$89.00**	**$95.00**	**$100.00**	**$105.00**	**$110.00**	**$115.00**	**$120.00**	**$125.00**	**$130.00**
Price Per Share (CHF)		**CHF 108.62**	**CHF 115.95**	**CHF 122.05**	**CHF 128.15**	**CHF 134.26**	**CHF 140.36**	**CHF 146.46**	**CHF 152.56**	**CHF 158.67**
Minority Shares (mm)		**488**	**491**	**494**	**496**	**498**	**500**	**502**	**503**	**505**
Equity Consideration - Diluted		**$43,397**	**$46,648**	**$49,360**	**$52,072**	**$54,785**	**$57,497**	**$60,210**	**$62,923**	**$65,635**
		CHF 52,966	**CHF 56,934**	**CHF 60,244**	**CHF 63,554**	**CHF 66,865**	**CHF 70,176**	**CHF 73,486**	**CHF 76,797**	**CHF 80,108**
Existing Cash Used		$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
		CHF 12,205	CHF 12,205	CHF 12,205	CHF 12,205	CHF 12,205	CHF 12,205	CHF 12,205	CHF 12,205	CHF 12,205
Incremental Financing Need		$30,000	$30,000	$30,000	$30,000	$30,000	$30,000	$30,000	$30,000	$30,000
		CHF 36,615	CHF 36,615	CHF 36,615	CHF 36,615	CHF 36,615	CHF 36,615	CHF 36,615	CHF 36,615	CHF 36,615
Stock Consideration		$3,897	$7,148	$9,860	$12,572	$15,285	$17,997	$20,710	$23,423	$26,135
		CHF 4,756	CHF 8,724	CHF 12,034	CHF 15,345	CHF 18,655	CHF 21,966	CHF 25,277	CHF 28,587	CHF 31,898
Estimated Average Financing Cost		3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%
% Accretion / (Dilution) to James										
2009E		(3.2)%	(5.7)%	(7.8)%	(9.7)%	(11.6)%	(13.3)%	(15.1)%	(16.7)%	(18.3)%
2010E		(4.0)%	(6.5)%	(8.5)%	(10.4)%	(12.3)%	(14.1)%	(15.8)%	(17.4)%	(19.0)%
2011E		(0.1)%	(2.7)%	(4.8)%	(6.8)%	(8.7)%	(10.6)%	(12.3)%	(14.0)%	(15.7)%
Incremental Pre-tax Synergies to Breakeven										
2009E		CHF 483	CHF 871	CHF 1,179	CHF 1,474	CHF 1,757	CHF 2,029	CHF 2,290	CHF 2,540	CHF 2,781
2010E		678	1,107	1,449	1,776	2,089	2,390	2,679	2,957	3,225
2011E		18	519	916	1,297	1,663	2,013	2,350	2,674	2,985
Pro Forma EPS Growth	Standalone									
2008E - 2012E	12.6%	14.0%	13.3%	12.7%	12.1%	11.5%	10.9%	10.4%	9.8%	9.3%
Pro Forma P/E to Breakeven										
2009E	12.5x	12.9x	13.2x	13.5x	13.8x	14.1x	14.4x	14.7x	14.9x	15.2x
2010E	11.1x	11.6x	11.9x	12.2x	12.4x	12.7x	13.0x	13.2x	13.5x	13.7x
Implied Pro Forma PEG										
2009E	1.0x	0.9x	1.0x	1.1x	1.1x	1.2x	1.3x	1.4x	1.5x	1.6x
2010E	0.9x	0.8x	0.9x	1.0x	1.0x	1.1x	1.2x	1.3x	1.4x	1.5x

Note: Assumes cash consideration financed with $10 billion in existing cash, up to $30 billion in incremental debt and the remainder in stock. Assumes $500mm in transaction fees paid with cash. Assumes James stock price of CHF 164.70, as of 05-Dec-2008. Assumes 3.0% opportunity cost of cash. Assumes pre-tax synergies of $400 million in 2009E and $800 million in 2010E and 2011E. Standalone EPS growth per Wall Street research. Analysis does not include potential tax benefits James may realize.

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Illustrative Accretion / (Dilution) Analysis

50% Cash / 50% Stock

(Figures in millions, except per share data)

Currency Exchange Rate (CHF / $)	1.22

	Standalone									
Price Per Share ($)		**$89.00**	**$95.00**	**$100.00**	**$105.00**	**$110.00**	**$115.00**	**$120.00**	**$125.00**	**$130.00**
Price Per Share (CHF)		**CHF 108.62**	**CHF 115.95**	**CHF 122.05**	**CHF 128.15**	**CHF 134.26**	**CHF 140.36**	**CHF 146.46**	**CHF 152.56**	**CHF 158.67**
Minority Shares (mm)		**488**	**491**	**494**	**496**	**498**	**500**	**502**	**503**	**505**
Equity Consideration - Diluted		**$43,397**	**$46,648**	**$49,360**	**$52,072**	**$54,785**	**$57,497**	**$60,210**	**$62,923**	**$65,635**
		CHF 52,966	**CHF 56,934**	**CHF 60,244**	**CHF 63,554**	**CHF 66,865**	**CHF 70,176**	**CHF 73,486**	**CHF 76,797**	**CHF 80,108**
Existing Cash Used		$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
		CHF 12,205	CHF 12,205	CHF 12,205	CHF 12,205	CHF 12,205	CHF 12,205	CHF 12,205	CHF 12,205	CHF 12,205
Incremental Financing Need		$12,198	$13,824	$15,180	$16,536	$17,892	$19,249	$20,605	$21,961	$23,318
		CHF 14,888	CHF 16,872	CHF 18,527	CHF 20,182	CHF 21,838	CHF 23,493	CHF 25,148	CHF 26,804	CHF 28,459
Stock Consideration		$21,698	$23,324	$24,680	$26,036	$27,392	$28,749	$30,105	$31,461	$32,818
		CHF 26,483	CHF 28,467	CHF 30,122	CHF 31,777	CHF 33,432	CHF 35,088	CHF 36,743	CHF 38,399	CHF 40,054
Estimated Average Financing Cost		1.6%	1.6%	3.5%	3.7%	3.9%	7.0%	7.0%	6.9%	6.9%
% Accretion / (Dilution) to James										
2009E		(9.3)%	(11.0)%	(13.7)%	(15.1)%	(16.5)%	(20.5)%	(21.6)%	(22.9)%	(24.1)%
2010E		(10.6)%	(12.2)%	(14.4)%	(15.7)%	(17.0)%	(19.2)%	(20.5)%	(21.8)%	(23.0)%
2011E		(7.9)%	(9.3)%	(10.7)%	(11.9)%	(13.2)%	(14.6)%	(15.9)%	(17.1)%	(18.3)%
Incremental Pre-tax Synergies to Breakeven										
2009E		CHF 1,409	CHF 1,667	CHF 2,091	CHF 2,304	CHF 2,513	CHF 3,124	CHF 3,289	CHF 3,487	CHF 3,666
2010E		1,809	2,077	2,447	2,674	2,896	3,270	3,487	3,699	3,904
2011E		1,501	1,775	2,045	2,271	2,516	2,780	3,020	3,256	3,489
Pro Forma EPS Growth										
2008E - 2012E	12.6%	11.3%	10.9%	10.6%	10.3%	9.9%	9.6%	9.2%	8.9%	8.5%
Pro Forma P/E to Breakeven										
2009E	12.5x	13.7x	14.0x	14.4x	14.7x	14.9x	15.7x	15.9x	16.2x	16.4x
2010E	11.1x	12.5x	12.7x	13.0x	13.2x	13.4x	13.8x	14.0x	14.2x	14.5x
Implied Pro Forma PEG										
2009E	1.0x	1.2x	1.3x	1.4x	1.4x	1.5x	1.6x	1.7x	1.8x	1.9x
2010E	0.9x	1.1x	1.2x	1.2x	1.3x	1.4x	1.4x	1.5x	1.6x	1.7x

Note: Assumes cash consideration financed with 50% cash and 50% stock. Assumes $500mm in transaction fees paid with cash. Assumes James stock price of CHF 164.70, as of 05-Dec-2008. Assumes 3.0% opportunity cost of cash, and pre-tax synergies of $400 million in 2009E and $800 million in 2010E and 2011E. Standalone EPS growth per Wall Street research. Analysis does not include potential tax benefits James may realize.

IV. Anticipating Next Steps

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Anticipating Next Steps

- 12-Dec communication to Greenhill
- Preparing for a potential tender offer
- Investor communication
- Monitoring the credit markets

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Appendix A: Supplementary Materials

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Research Price Targets and Key Themes
Francis

Broker	Date	Price Target	Price and Valuation Commentary
Baird	24-Nov-2008	$100.00[1]	■ "Coupling our belief that the James deal ultimately gets done at a higher price than the initial $89/share offer, with continued strong fundamentals, we continue to recommend purchase" ■ "We place an Outperform rating on Francis shares. Large-cap biotech multiples have compressed in the last few quarters from a traditional range of 30-40X current-year EPS expectations. In that we acknowledge the compressing multiples in the biotech industry (the group currently trades between 20-30X), **we apply a 27X multiple to our 2009 EPS estimate of $3.92, discounted back by 15% per year, to derive our 12-month price target of $100**"
Barclays Capital	24-Nov-2008	$105.00	■ **"We arrive at our $105 price target by applying a 50% acquisition premium to our PharmaPipelines NPV estimate of $70"**
Bernstein Research	24-Nov-2008	$97.00	■ **"We see $95 as a minimum price for a transaction**, and believe that the advisers to Francis' independent directors **could come up with a materially higher price in the range of ~$125 once all aspects of the company's value are considered"** ■ "Our $97 target price for Francis is based on the high likelihood we place on a deal between James and Francis being completed ($97 is the probability weighted average of our acquisition scenarios)"
Bank of America	24-Nov-2008	$100.00	■ **"We continue to believe that James will make a higher offer (at least $100/share).** With an estimated $20B+ in cash (including Francis') by YE08, James will need to raise ~$30B (assuming a $100/share takeout price) to buy the ~44% of Francis shares it does not own. Despite the challenging credit market, we continue to believe that this deal is a high-quality transaction, which should be completed (most likely in the 1H09 timeframe)" ■ **"Our $100 TP is based on applying a 1.3PEG multiple to our 5-year est. CAGR of 19% and 2009 EPS est. of $3.85, to which we add a buyout premium of $5/share"**

Source: Wall Street research
[1] Represents price target for standalone Francis.

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Research Price Targets and Key Themes

Francis

Broker	Date	Price Target	Price and Valuation Commentary
Jefferies & Co.	24-Nov-2008	$100.00	■ **"We maintain our $100 PT, as we believe it represents the minimum acceptable value to Francis' independent directors and shareholders"**
Lazard	24-Nov-2008	$98.00[1]	■ **"Our $98 price target is derived from a 31x multiple applied to our trailing 12-month EPS estimate of $3.16, excluding stock option expense"**
Natixis	24-Nov-2008	$85.00	■ "If the trial fails, our current 2010 EPS estimate of $4.29 will remain (2-year CAGR of 12.3%). **Applying a 12x multiple leads to $51/share. Giving a 30% takeover premium leads to a potential buyout price of $66 per share**" ■ "However, if the Avastin trial succeeds, we anticipate off-label use beginning in mid-2009. After factoring in the increased Avastin sales, our 2010 EPS estimate would be $4.55. **Applying a 20x multiple leads to a valuation of $90 per share. Then adding a 15% premium gives a potential buyout price of $104 per share**"
Oppenheimer	24-Nov-2008	$105.00	■ "The resulting average P/E ratio for large-cap biotechs is 15.4x. We believe a premium 18.5x P/E multiple is appropriate for Francis given the growth prospects for Avastin and our estimate of a 13% 2009-2011E EPS CAGR for Francis' current base business. By applying this multiple to our 2009 diluted EPS estimate of $3.94, we arrive at an $88 valuation for Francis, not factoring in any takeover premium for the company…**Based on historical premiums of 25-30% for comparable transactions, we believe fair takeover value for Francis is in the $102 to $110 per share range.** Taking near the midpoint of this range, we arrive at our $105 price target for Francis"
Rodman & Renshaw	24-Nov-2008	$90.00[1]	■ "We reach our target price using a Discounted Cash Flow (DCF) valuation. We forecast sales and individual expenses until 2015 to calculate the free cash flow in each year. **Assuming a conservative terminal growth rate of 3% to calculate the terminal value, we discount the numbers to 2008 by using the Weighted Average Cost of Capital (WACC) of 9.36%** to achieve the value of the firm…Dividing by the outstanding shares, we reach our target price of approximately $90"

Source: Wall Street research
[1] Represents price target for standalone Francis.

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Research Price Targets and Key Themes
Francis

Broker	Date	Price Target	Price and Valuation Commentary
Citi	29-Oct-2008	$96.00	■ "Our $96 target price is based on the average of four valuation techniques: — **Historical premiums paid to large-cap biotech: Our historical analysis suggests large-cap biotech companies get taken over at a 21% premium**. In Francis' case there is no change of control, so we believe a premium would only have to be paid for the 44% stake James does not own. Relative to the close on 7/18/08, the adjusted premium leads to a target price of $89 — **Synergy Valuation:** We estimate that ~$800M synergies will be realized by James from a potential acquisition. We tax effect the synergy and apply an '09 P/E multiple of 20x (the multiple we would value Francis as a standalone company). **To buy this synergy benefit we believe James would have to pay for the synergy on top of our baseline valuation of $75/share**. This leads to an implied target price of $86 — **Upside Valuation:** Based on our estimates, the probability-adjusted, discounted value of the upside from major trials is $0.79/share. We assume these trials have a 75% chance of success and we discount the non-GAAP EPS by 30% to 2009. Adding this to our baseline '09 estimate of $3.77, yields in an implied EPS of $4.56. **Using a forward '09 P/E multiple of 23x, which in our view would be appropriate if these trials are successful, leads to a target price of $105** — **DCF analysis: Our discounted cash flow leads to $102/share. We utilize an 8.8% WACC (based on a cost of equity of 8.9% and cost of debt of 5%), a terminal growth value of 2%"**
RBC Capital Markets	15-Oct-2008	$100.00	■ "Our price target is $100, **which is 24.1x our 2009E EPS. We believe a $95-100 range is reasonable given it is a 7-12% premium to the $89 of James' original offer,** and a 1-7% premium to the current market price…The downside is the original $89 offer price or lower if the deal falls through"
JP Morgan	14-Oct-2008	$105.00[1]	■ "Our target is **based on a 25x multiple on our 2009 EPS estimate of $4.11**, which we feel is justified given the numerous upside drivers that should play out near-term"

Source: Wall Street research
[1] *Represents price target for standalone Francis.*

Research Price Targets and Key Themes
Francis

Broker	Date	Price Target	Price and Valuation Commentary
Morgan Stanley	14-Oct-2008	$105.00	■ "**Our $105 price target (lowered from $110 as cost of financing has increased)** is based on a sum of the parts and risk-adjusted cash flow analysis (risk-adjusted for probability of success of Avastin in the adjuvant cancer setting) under several synergy and tax scenarios, which lead us to a fair value for Francis in the $105+/share range. For both analyses, we employ a weighted average cost of capital of 8.9%" — "**Bull case valuation of $140**: Deal closes after positive Avastin data in adjuvant CRC...In addition, the market will need to markedly increase the probability of success of Avastin in adjuvant breast cancer, a $5bn potential market in the U.S. alone…Assuming adjuvant success and adjusting Avastin sales accordingly in our sum of the part analysis, we estimate Avastin in adjuvant adds >$25 in value" — "**Base case valuation of $105**: Deal closes at our estimated fair value of current business: Given both our sum of the parts and DCF analyses, we believe fair value is in the $100+ range (without adjuvant Avastin) and we doubt investors take any offer <$100 seriously" — "**Bear case valuation of $94**: Deal fails to close: Our bear case models failure of the deal to close…Our $94 bear case is a one-year fair value based on our DCF analysis, which assumes Avastin growth in breast cancer in the near-term drives EPS growth" — "**Ultra bear case valuation of $65**: Deal fails, adjuvant fails, and both Avastin and Rituxan sales fall short of expectations…Furthermore, Avastin and Rituxan sales reach only ~70% of our base case value expectations"

Source: Wall Street research

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Base Case NME Detailed Assumptions

- Key assumptions in the Unnamed Pipeline are:
  1) Number of NMEs produced per year
  2) Average peak sales assumption
  3) PTS adjustment

	NME (Large Molecule)	NME (Small Molecule)	LE2 (Phase II)	LE3 (Phase III)
Peak Sales (Year 5)	$500mm	$500mm	$250mm	$250mm
NME:LE Ratio	1:3 unadjusted and 1:2 adjusted ($1bn peak sales per NME)			
Blended Dev Time[1]	108 months (9 years)	96 months (8 years)	84 months (7 years)	60 months (5 years)
Blended Dev Cost[1]	$230mm	$206mm	$112mm	$52mm
Post-Marketing	12% (NME) or 5% (LE) of sales at launch. PM cost steadily decreases to 2% at L+6			
Launch PTS[1]	20%	11%	32%	63%
Commercial Costs (BM% at Peak)	87%		94%	
U.S. Collaborator	20% of molecules have 10% Royalty Expense and Milestone payments of $65mm for NME, $22mm for LE2 and $19mm for LE3. James royalty income is unchanged at 12.5%			
James Spend % of Francis Spend	60%			

Source: Francis management projections
[1] From early development (ED Go) through filing for approval.

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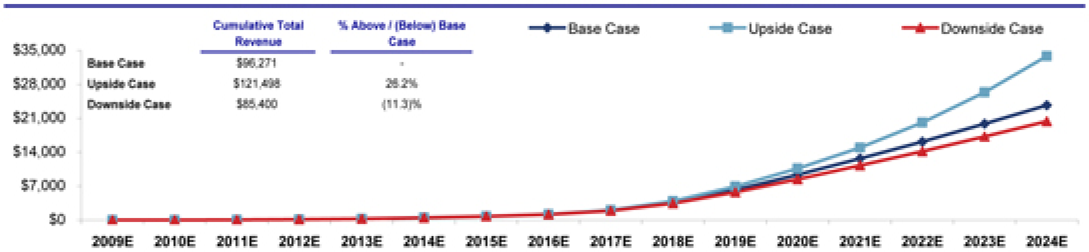
Unnamed Pipeline Assumptions

Base Case, Upside Case and Downside Case

($ in millions)

- Unnamed pipeline consists of large molecule and small molecule NMEs
  - Large molecule NMEs trend toward approximately four per year to enter pipeline
    - On average, $1bn peak sales (including line extension opportunities)
    - PTS of 20% from early development to launch for the initial indication
  - Small molecule NMEs comprise approximately 50+% of the remaining unnamed pipeline
    - On average, $1bn peak sales (including line extension opportunities)
    - PTS of 11% from early development to launch for the initial indication
- Upside assumptions:
  - One in five future molecules added to the portfolio to have an Avastin like sales potential (on average, $2.3bn peak sales)
  - Approximately 21% higher marketing and sales costs
  - Incremental R&D expenditure for each lead or line extension consistent with base case
  - PTS remains the same as the base case
  - Approximately 46% higher product sales and 17% higher royalties in 2024E
- Downside assumptions:
  - Reduced overall market opportunity to $750mm for each product
  - Approximately 25% lower marketing and sales costs; R&D spend remains unchanged
  - PTS remains the same as the base case
  - Approximately 15% lower product sales and 9% lower royalties in 2024E

Unnamed Pipeline PTS Adjusted Total Revenue: 2009E – 2024E



	Cumulative Total Revenue	% Above / (Below) Base Case
Base Case	$96,271	-
Upside Case	$121,498	26.2%
Downside Case	$85,400	(11.3)%

Source: Francis management projections

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Unnamed Products Case Discounted Cash Flow Analysis

Base Case, Upside Case and Downside Case

2024 Terminal Year

Unnamed Product Impact on Whole-Co. – Equity Value Per Share

Downside Case

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$91.87	$93.53	$95.36	$97.37	$99.54
9.5 %	98.49	100.51	102.73	105.15	107.71
9.0 %	106.09	108.55	111.25	114.13	117.01
8.5 %	114.90	117.90	121.13	124.43	127.17
8.0 %	125.17	128.79	132.55	135.84	136.30

Base Case

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$94.47	$96.30	$98.33	$100.56	$103.00
9.5 %	101.45	103.68	106.14	108.85	111.74
9.0 %	109.49	112.21	115.20	118.44	121.74
8.5 %	118.81	122.13	125.74	129.50	132.79
8.0 %	129.70	133.73	137.97	141.86	143.06

Upside Case

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$104.19	$106.66	$109.41	$112.48	$115.89
9.5 %	112.52	115.53	118.89	122.63	126.76
9.0 %	122.16	125.83	129.95	134.50	139.39
8.5 %	133.39	137.90	142.92	148.37	153.73
8.0 %	146.57	152.11	158.16	164.26	168.23

Incremental Impact on Whole-Co. – Equity Value Per Share

Downside Case

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	($2.60)	($2.77)	($2.96)	($3.19)	($3.45)
9.5 %	(2.96)	(3.17)	(3.41)	(3.69)	(4.02)
9.0 %	(3.40)	(3.65)	(3.95)	(4.31)	(4.73)
8.5 %	(3.91)	(4.23)	(4.61)	(5.07)	(5.62)
8.0 %	(4.53)	(4.94)	(5.42)	(6.02)	(6.76)

Upside Case

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$9.72	$10.36	$11.08	$11.92	$12.90
9.5 %	11.07	11.85	12.74	13.79	15.02
9.0 %	12.67	13.63	14.74	16.06	17.65
8.5 %	14.58	15.77	17.18	18.87	20.94
8.0 %	16.87	18.38	20.19	22.40	25.17

Source: Financial projections and scenarios per Francis management as of 16-Nov-2008

Note: Includes capitalized ESO expense and "marked to market" 2015 opt-in value. Assumes 1,052mm basic shares outstanding, as of 31-Oct-2008. Fully diluted shares outstanding calculated using treasury stock method based on options schedule provided by Francis management. Assumes net cash of $6 billion and cash flows discounted to 01-Jan-2009

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Avastin C-08 Assumptions

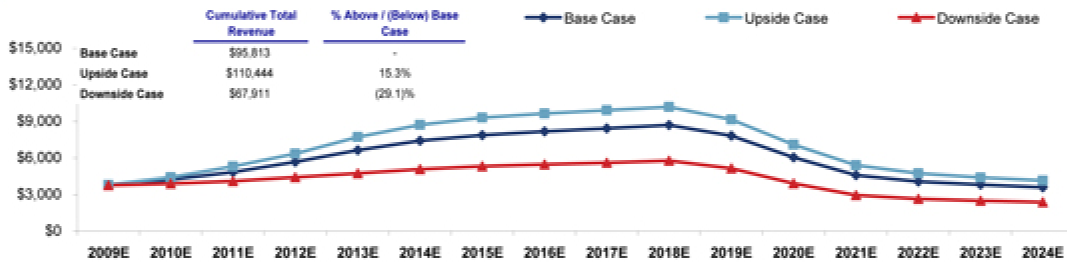
Base Case, C-08 Upside Case and C-08 Downside Case

($ in millions)

- Base Case:
  - 61% for PTS for adjuvant colon cancer trial (C-08) in Q2 2009
  - Most important additional Avastin indications of adjuvant breast (50% PTS) and adjuvant lung cancer (55% PTS)
  - Implies overall adjusted Avastin revenues trend to ~65% of unadjusted Avastin revenues in 2015+ timeframe
  - 3.0% annual price increase beginning in 2016, contingent upon breast trial outcome
- C-08 Upside Case:
  - Positive C-08 results by Q2 2009 resulting in ~18% higher revenue than base case for Avastin overall in 2017E
  - Increased PTS assumptions for adjuvant breast and adjuvant lung indications in development to 70%
- C-08 Downside Case:
  - Negative C-08 results by Q2 2009 resulting in ~33% lower revenue than base case for Avastin overall in 2017E
  - Removes adjuvant CRC revenue from base case
  - Decreased PTS assumptions for adjuvant breast and adjuvant lung indications in development to 10%

Avastin PTS Adjusted Total Revenue: 2009E – 2024E

	Cumulative Total Revenue	% Above / (Below) Base Case
Base Case	$95,813	-
Upside Case	$110,444	15.3%
Downside Case	$67,911	(29.1)%



Source: Francis management projections

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Avastin Case Discounted Cash Flow Analysis

Base Case, C-08 Upside Case and C-08 Downside Case

2024 Terminal Year

Avastin Impact on Whole-Co. – Equity Value Per Share

C-08 Downside Case

Discount Rate \ Perpetuity Growth Rate	2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$85.23	$86.92	$88.79	$90.83	$93.04
9.5 %	91.67	93.72	95.98	98.44	101.05
9.0 %	99.09	101.59	104.33	107.26	110.20
8.5 %	107.71	110.75	114.04	117.41	120.22
8.0 %	117.79	121.47	125.30	128.68	129.25

Base Case

Discount Rate \ Perpetuity Growth Rate	2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$94.47	$96.30	$98.33	$100.56	$103.00
9.5 %	101.45	103.68	106.14	108.85	111.74
9.0 %	109.49	112.21	115.20	118.44	121.74
8.5 %	118.81	122.13	125.74	129.50	132.79
8.0 %	129.70	133.73	137.97	141.86	143.06

C-08 Upside Case

Discount Rate \ Perpetuity Growth Rate	2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$99.24	$101.14	$103.24	$105.56	$108.10
9.5 %	106.49	108.80	111.36	114.17	117.19
9.0 %	114.83	117.65	120.76	124.13	127.60
8.5 %	124.49	127.93	131.69	135.62	139.13
8.0 %	135.77	139.95	144.38	148.50	149.99

Incremental Impact on Whole-Co. – Equity Value Per Share

C-08 Downside Case

Discount Rate \ Perpetuity Growth Rate	2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	($9.24)	($9.38)	($9.54)	($9.73)	($9.95)
9.5 %	(9.78)	(9.96)	(10.16)	(10.40)	(10.68)
9.0 %	(10.40)	(10.62)	(10.88)	(11.18)	(11.54)
8.5 %	(11.11)	(11.38)	(11.70)	(12.09)	(12.56)
8.0 %	(11.91)	(12.26)	(12.67)	(13.18)	(13.81)

C-08 Upside Case

Discount Rate \ Perpetuity Growth Rate	2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$4.77	$4.84	$4.91	$5.00	$5.10
9.5 %	5.04	5.12	5.21	5.32	5.45
9.0 %	5.34	5.44	5.56	5.69	5.86
8.5 %	5.68	5.80	5.95	6.13	6.34
8.0 %	6.06	6.22	6.41	6.64	6.92

Source: Financial projections and scenarios per Francis management as of 16-Nov-2008
Note: Includes capitalized ESO expense and "marked to market" 2015 opt-in value. Assumes 1,052mm basic shares outstanding, as of 31-Oct-2008. Fully diluted shares outstanding calculated using treasury stock method based on options schedule provided by Francis management. Assumes net cash of $6 billion and cash flows discounted to 01-Jan-2009

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Weighted Average Cost of Capital Analysis

As of 05-Dec-2008

Selected Comparables

Company	Market Equity	Predicted Equity Beta (1)	Adjusted Asset Beta
Francis	$79,487	0.73	0.73
Amgen	60,817	0.66	0.64
Biogen Idec	12,910	0.80	0.80
Celgene	24,733	0.90	0.90
Genzyme	17,727	0.69	0.69
Gilead	43,149	0.97	0.97
Mean		0.80	0.80
Median		0.80	0.80

WACC Calculation

Risk Free Rate (2)	3.5%
Median Comparables Asset Beta	0.80
Francis Total Debt/Market Equity (3)	3.2%
Assumed Tax Rate (4)	36%
Predicted Equity Beta	0.80
Equity Risk Premium (5)	5.1%
Cost of Equity	7.5%
Cost of Debt	5.0%
After-Tax Cost of Debt	3.2%
WACC	7.4%

WACC Sensitivity Table

Equity Risk Premium	Risk Free Rate (%) 3.5%	4.0%	4.5%	5.0%	5.5%
4.1%	6.6%	7.1%	7.6%	8.1%	8.5%
5.1%	7.4%	7.9%	8.4%	8.8%	9.3%
6.1%	8.2%	8.6%	9.1%	9.6%	10.1%
7.1%	8.9%	9.4%	9.9%	10.4%	10.9%

WACC Sensitivity Table

Equity Risk Premium	Equity Beta 0.75	0.80	0.85	0.90	0.95
4.1%	6.4%	6.6%	6.8%	7.0%	7.2%
5.1%	7.1%	7.4%	7.6%	7.9%	8.1%
6.1%	7.9%	8.2%	8.4%	8.7%	9.0%
7.1%	8.6%	8.9%	9.3%	9.6%	10.0%

Source: Company filings, Ibbotson and Bloomberg
(1) Bloomberg 5 year weekly predicted betas.
(2) Yield on 30-year 5 1/4% U.S. Treasury due 2028 as of 05-Dec-2008.
(3) Francis total debt/market equity as of 30-Sep-2008, fully diluted market cap as of 05-Dec-2008.
(4) Assumed tax rate per Francis management.
(5) U.S. Equity Risk Premium as of year-end 2007 per Ibbotson data.

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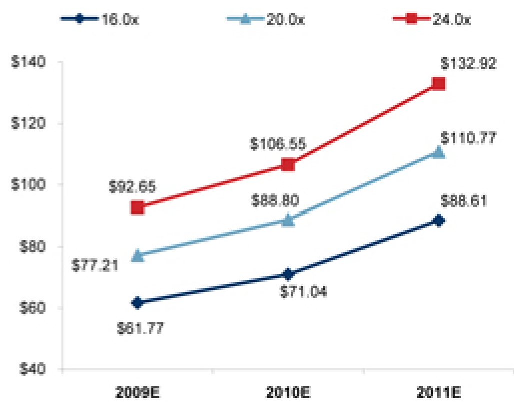
Present Value of Future Stock Price Analysis

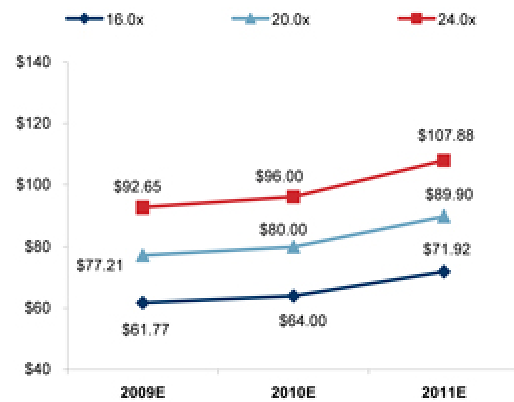
Management Case, Adjusted for Share Repurchases at One Year Forward at 20.0x P/E[1]

($ Per Share)

Future Stock Price (Undiscounted)



Present Value at 11.0% Cost of Equity



	2009E	2010E	2011E	2008E - 2011E CAGR [3]
EPS (Mgmt Forecast)[1]	$ 3.86	$ 4.44	$ 5.54	17.0%
IBES	$ 3.92	$ 4.46	$ 4.94[2]	12.6%

Source: Francis management projections and IBES

[1] *Assumes cash of $3.6bn, $7.2bn and $5.5bn for 2009E-2011E, respectively, used to repurchase shares based on management projections. Price of share repurchase assumed to be 20.0x one year forward EPS per Management Case ($88.80, $110.77 and $133.43 for 2009E-2011E, respectively).*

[2] *2011E IBES mean based on selected composite from Wall Street research.*

[3] *2008E EPS per Francis management.*

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Discounted Cash Flow Sensitivity Analysis

2024 Terminal Year

($ Per Share)

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
11.0 %	$82.94	$84.22	$85.62	$87.15	$88.82
10.5 %	88.36	89.87	91.55	93.39	95.41
10.0 %	94.47	96.30	98.33	100.56	103.00
9.5 %	101.45	103.68	106.14	108.85	111.74
9.0 %	109.49	112.21	115.20	118.44	121.74
8.5 %	118.81	122.13	125.74	129.50	132.79
8.0 %	129.70	133.73	137.97	141.86	143.06

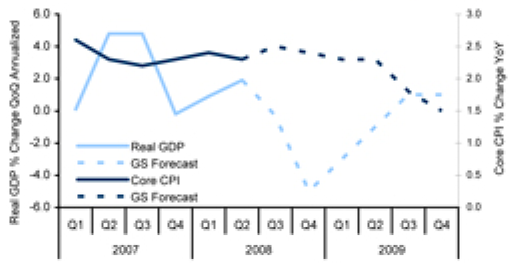
Source: Financial projections and scenarios per Francis management as of 16-Nov-2008
Note: Includes capitalized ESO expense and "marked to market" 2015 opt-in value. Assumes 1,052mm basic shares outstanding, as of 31-Oct-2008. Fully diluted shares outstanding calculated using treasury stock method based on options schedule provided by Francis management. Assumes net cash of $6 billion and cash flows discounted to 01-Jan-2009

Goldman Sachs

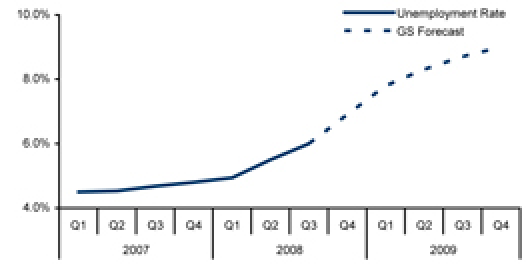
Markets are Increasingly Focused on the Economy

Size of Anticipated Economic Stimulus Package is a Wild Card to the Outlook

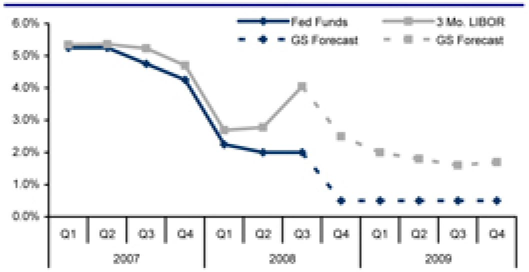
U.S. Economy Faces Headwinds Through 2009



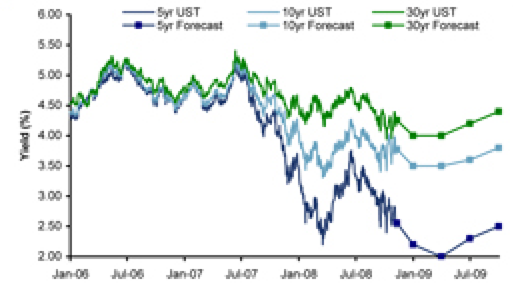
Increase in Unemployment May Continue Into 2010



Economic Weakness Will Pressure Fed to Act



Flight to Quality Will Offset Larger Supply of UST



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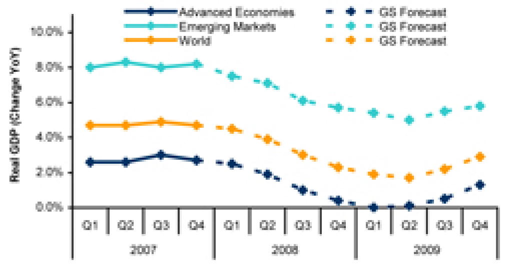
Global Economy Will Slow in Concert with US

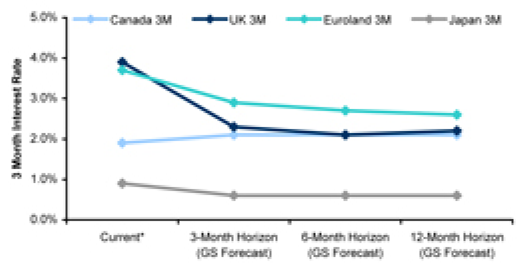
GDP Recovery Outside the US Muted Through 2009



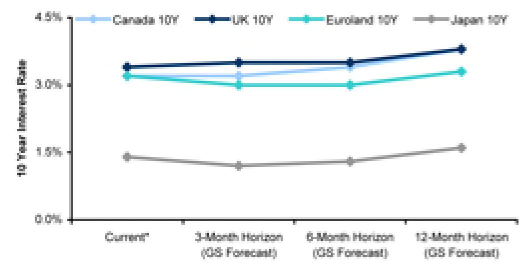
GS Forecast : FX

	Current	3-Month	6 Month	12 Month
EUR/USD	1.27	1.20	1.30	1.30
GBP/USD	1.48	1.48	1.60	1.67
USD/JPY	93.3	90.0	100.0	105.0
USD/CAD	1.26	1.22	1.15	1.15
USD/CHF	1.22	1.20	1.14	1.17

GS Forecast : 3 Month Interest Rates



GS Forecast : 10 Year Interest Rates



** Close 03 December 08, mid-rates for major markets*

Source: GS Economics Research Team

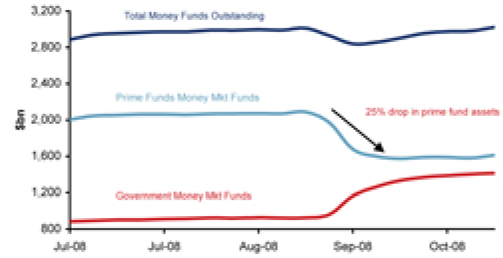
Goldman Sachs

Recent Structural Changes in the IG Market Will Have Competing Impact on Supply

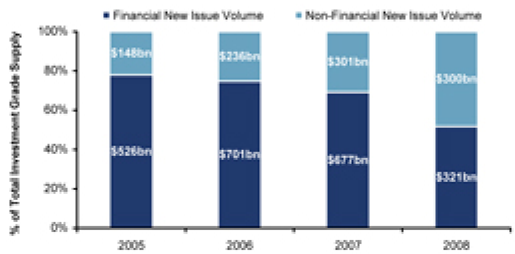
Credit Spreads Likely to Remain Wide Through 1H 2009

Although Short-Term Pressure Should Continue to Ease…

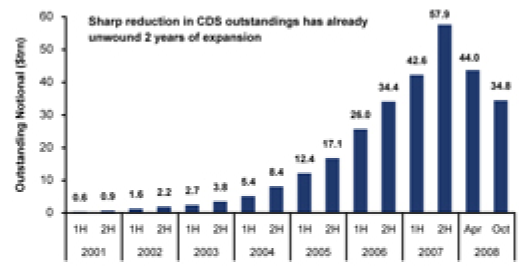
Reduced Capacity in CP Markets Due to Decline in Prime Money Market Funds Will Entice Issuers to Term Out CP



Government Protection of Financial Issuance May Divert Supply to Agency Investors, Moderating IG Overhang…



But Structural Shifts in the Credit Markets, Such as the Reduction in CDS Outstanding, May Reduce Total Capacity



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InBev's Acquisition Financing Plan

"Consummation of the Merger is not conditioned on the funding of InBev's financing"[1]

InBev / Anheuser-Busch Financing Case Study; Announced 14-Jul-08 ($ in millions)

Transaction Structure

Standalone EBITDA	$ 7,004
Acquired EBITDA	3,916
Pro Forma EBITDA	$ 10,920
Debt at announcement	$ 9,800
Acquired Debt	8,483
Transaction Debt	54,800
Less Debt Refinanced	(1,250)
Debt at Closing	$ 71,833
Less Equity Offering	(9,800)
Less Divestitures	(7,000)
Pro Forma Total Debt	$ 55,033

Note: InBev is rumored to be focused on divesting A-B's Entertainment Segment, for $2 to $6 billion in pre-tax proceeds. Other assets to be divested have not been announced

Initial PF Leverage	6.6 x
PF Adj for Equity	5.7
Pro Forma Rating	BBB+ / Baa2

Financing Structure

Debt Tranches

12+12 Term A to Bonds	$ 12,000
Term B to Divestitures	7,000
Term C 3-year Bullet	13,000
Term D 5-year Bullet	13,000
Bridge to Equity	9,800

Note: Term D includes $1bn revolver; pricing at ~L+150

Syndicate Lead Banks

Tokyo-Mitsubishi	ING
Barclays	JP Morgan*
BNP Paribas*	Mizuho
Deutsch Bank*	RBS
Fortis	Santander

"" Indicates Rights Offering bookrunners*

Senior Banks

Bank of America	Rabobank
BayernLB	Scotia Capital
Dresdner	Societe Generale
Intesa Sanpaolo	Toronto-Dominion
KBC Bank	

Rating Considerations

Note that the rating judgments in this case were significantly complicated by:

(a) A-B's stake in Modelo ($10-$12bn) which was not captured in EBITDA

(b) InBev's full consolidation of Ambev EBITDA, despite 60% economic ownership and the cash flows' structural separation from InBev due to Ambev's existing debt

However, the Modelo and Ambev stakes provide significant asset value

- Upon announcement, InBev and A-B were both rated BBB+
  - InBev NR prior, A-B rated A
  - Subsequently rated Baa2 by Moody's
- InBev expected to reduce share buybacks and cut its dividends for the next 2 to 3 years
- Key to the rating are the equity raise and divestitures
- Leverage expected be to reduce to 3x by the end of 2010

Source: Wall Street research, public filings, and press reports
Note: Currency translated at exchange rates as of time of announcement
[1] As per A-B initial proxy; merger agreement provides for no "financing out" for InBev, either from lack of financing or lack of funding.

Goldman Sachs

Altria Group's Acquisition of UST Inc.

Announced September 8, 2008

Altria UST

Transaction and Business Overview

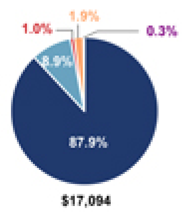
- Altria announced it will acquire all outstanding shares of UST for $69.50 per share in cash (29% premium to three-month average share price)
  - Transaction price values UST at $11.7 billion (12.1x LTM EBITDA)[1], including the assumption of $1.3 billion in UST debt
  - Altria will finance the transaction with a combination of cash, existing credit facilities and a new committed $7.0 billion revolver
- UST manufactures and markets smokeless tobacco products and premium wines primarily in the United States
  - UST is the largest player in the U.S. smokeless tobacco category with key brands including Copenhagen, Skoal, Red Seal and Husky. UST had approximately 60.6% MST market share in 2007
  - Ste. Michelle Wine Estates produces and markets premium wines under 20 different labels including Chateau Ste. Michelle
- Goldman Sachs & Co. acted as lead financial adviser to Altria and provided committed financing to support the transaction

Summary Terms

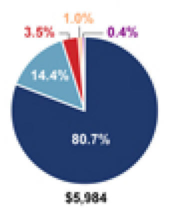
- Borrower: Altria Group, Inc.
- Guarantor: Philip Morris USA Inc.
- Type of Facility: 364-day Bridge Loan Facility
- Size: $5,080 million
- Tenor: 364 days from Close
- Drawn Spread: L+225 with 25 bps quarterly step ups (subject to pricing grid)
- Duration Fees: 75bps, 100bps and 300bps paid on amount outstanding as of 90, 180 and 270 days from Close, respectively
- Mandatory Prepayments: 100% of all Capital Markets Proceeds and Asset Sales
- Transaction Close: No earlier than January 2009

Altria Pro Forma for Acquisition of UST

PF 2007 Revenues



PF 2007 Operating Profit



■ Tobacco ■ Smokeless ■ Financial Services ■ Wine ■ Other

Capital Structure

	Maturity	Interest	Amount ($mm)	Leverage[2]	Bid	Yield[3]
Cash			$1,066			
$3.5bn Revolver	2010	L+50	$0	0.0x		
New Bridge Loan	2009	L+225	5,080	0.8x		
Senior Unsecured Notes	2013	8.50%	1,399	1.0x	101.5	T+585
Senior Unsecured Notes	2018	9.70%	3,098	1.5x	100.5	T+603
Senior Unsecured Notes	2038	9.95%	1,466	1.8x	100.0	T+573
Other Debt[4]			1,525	2.0		
Total Corporate Debt			$12,568	2.0x		
Financial Services Debt			500	2.1x		
Total Debt			$13,068	2.1x		

Source: Companies' press release, Company filings, Bloomberg

[1] LTM EBITDA calculated using adjusted non-GAAP operating income per UST's press release.

[2] Based on estimated annualized Sep-08 YTD PF EBITDA of $6.3bn.

[3] Spread over 5-year Treasury, 10-year Treasury and 30-year Treasury.

[4] Includes $1.1bn of UST rollover debt and Other Altria Debt.

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Novartis Acquires 77% Stake in Alcon from Nestlé

Goldman Sachs Acted As Exclusive Financial Advisor to Novartis

NOVARTIS Alcon

Transaction Overview

- On 07-Apr-2008, Novartis and Nestlé announced a two-step agreement regarding Nestlé's 77% stake in Alcon, the world's largest eye care company
- **Step 1:** Novartis acquires a 25% stake in Alcon from Nestlé for $143.18 per share (3 months volume weighted average price), or c. $11bn in total
- **Optional Step 2:**
  - — Novartis has the right to call Nestlé's remaining 52% stake in Alcon for a fixed price of $181 per share, or c. $28bn in total
  - — Nestlé has the right to put its remaining 52% stake in Alcon to Novartis at a premium of 20.5% to Alcon's share price at the time of exercise, but not higher than $181 per share
  - — Either option can be exercised between 1-Jan-2010 and 31-Jul-2011
- Following completion of Step 1, Novartis will have a representative on Alcon's Board of Directors
- Alcon and Novartis will remain separate and independent companies
- No obligation of Novartis to buy out Alcon's free float shareholders

Overview of Alcon

- Alcon is the world's largest eye care company
- It operates through three product categories: Surgical (medical devices and products for ophthalmic surgery); Pharmaceuticals (medicines for eye diseases and conditions); and Consumer (contact lens care, OTC dry eye drops, ocular vitamins)
- Broad geographical presence, with more than 52% of 2007 sales generated outside the U.S. and strong emerging markets growth
- Revenues totalled $5.6bn in 2007 and translated into $1.9bn operating income (33.6% margin)
  - — Since its IPO in 2002, Alcon has increased revenues by 13% p.a. and operating income by 22% p.a.
- Alcon was acquired by Nestlé in 1978; a minority position was listed on the NYSE in 2002, Nestlé keeping a 77% majority stake to date

Transaction Rationale

- Unique opportunity to acquire world leader in a rapidly growing market segment
  - — Clear No. 1 in eye care
  - — Eye care one of the fastest growing specialty therapeutic segments
  - — Growth drivers: Aging population, emerging markets and innovation
- Novartis and Alcon: Complementary eye care businesses
  - — Geographic strengths
  - — Portfolios for front-of-the-eye and back-of-the-eye diseases
  - — Manufacturing and distribution skills
  - — Potential for eventual cost synergies

Deal Statistics

	Price / Share	Value	P/E[1]	Premium[2]
Step 1	$143.18	$11bn	22.8x ('08)	(3.5)%
Step 2	Up to $181	Up to $28bn	Up to 22.6x ('10)	NA

Alcon Share Price Development from IPO to Announcement

[1] *Based on IBES EPS forecast for Alcon of $6.29 for 2008 and $8.01 for 2010.*
[2] *Premium calculated based on closing price of $148.44 as of 04-Apr-2008 (Source: Bloomberg)*
Source: Company Filings, Press Release, Bloomberg

Exhibit (c)(6)

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Discussion Materials for Francis Special Committee

Goldman, Sachs & Co.
13-Feb-2009

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Goldman Sachs

Table of Contents

Goldman Sachs

I. Summary Overview

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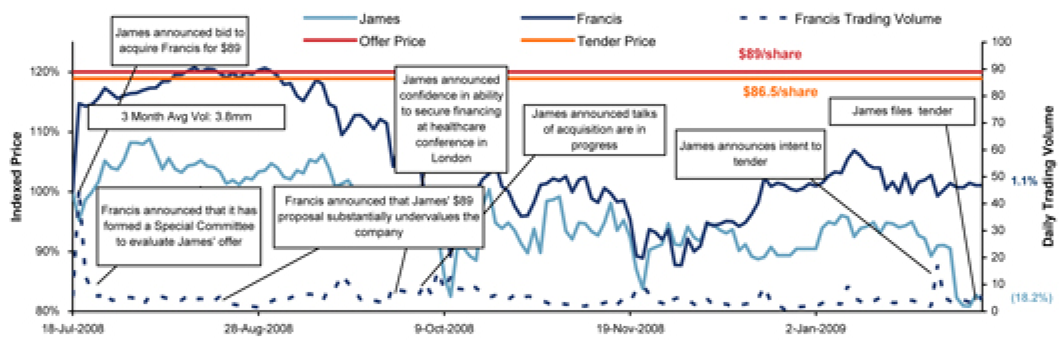
Project Nobel Market Tracker

	10-Feb-2009	Change from 1 Day Prior		Change Since 18-Jul-2008	1 Week	1 Month	3 Month	2-Jan-2008
Francis	$82.69	($0.01)	(0.0)%	1.1 %	(0.3)%	(4.2)%	2.2 %	22.7 %
BTK	827.16	113.94	16.0	4.0	22.7	29.8	29.5	5.0
S&P 500	693.06	(176.83)	(20.3)	(45.0)	(17.3)	(22.2)	(22.9)	(52.1)
AMEX Pharmaceutical Index	259.80	(7.66)	(2.9)	(15.2)	(2.9)	(3.9)	(1.1)	(22.8)
James	CHF147.00	(CHF1.60)	(1.1)%	(18.2)%	(9.6)%	(14.5)%	(12.3)%	(23.4)%
Swiss Exchange	5,144.69	(13.81)	(0.3)	(24.6)	(1.4)	(9.7)	(12.5)	(38.2)
FTSE 350 Pharma & Biotech	8,218.64	86.94	1.1	8.5	(1.9)	(3.4)	0.8	4.6
James (ADR)	$31.40	($0.47)	(1.5)	(28.7)	(12.0)	(18.2)	(10.7)	(27.3)
Currency Exchange Rate (CHF / $)	1.1568	(0.0073)	(0.63)%	13.10 %	1.24 %	3.83 %	(2.61)%	3.33 %



Source: FactSet as of 10-Feb-2009

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II. Update on Public Market Perspectives

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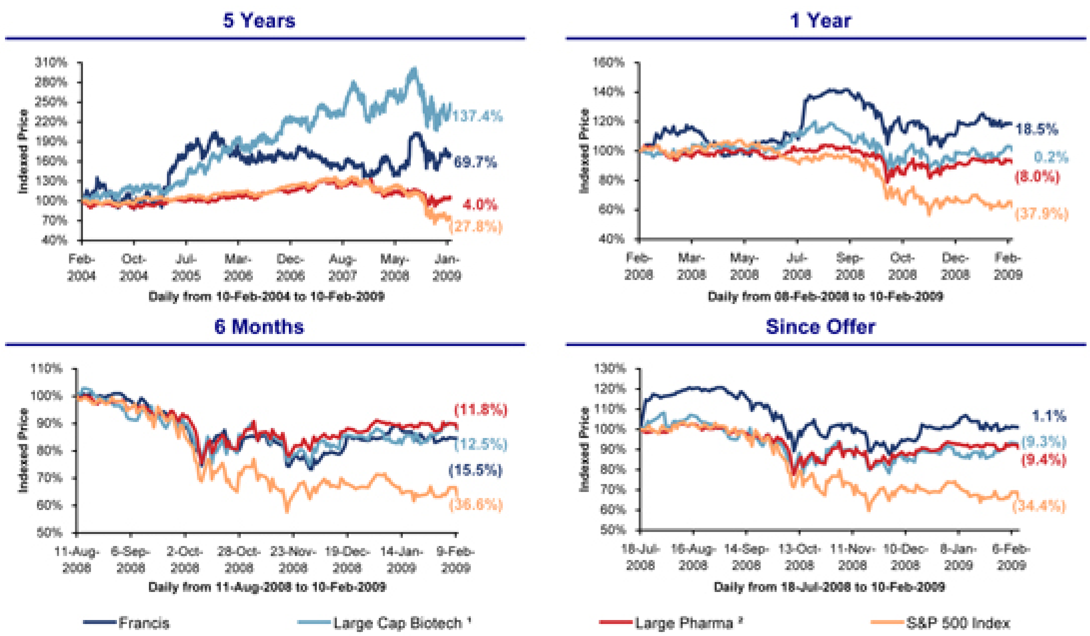
Relative Stock Price Performance History

Francis vs Large Cap Biotech, Large Pharma and S&P 500 Index



Source: FactSet as of 10-Feb-2009

[1] *Large Cap Biotech Composite includes: Amgen, Biogen Idec, Celgene, Genzyme and Gilead.*

[2] *Large Pharma Composite includes: Abbott, AstraZeneca, Bayer, Bristol-Myers Squibb, Eli Lilly, GSK, JNJ, Merck, Novartis, Novo Nordisk, Pfizer, Sanofi-Aventis, Schering-Plough and Wyeth.*

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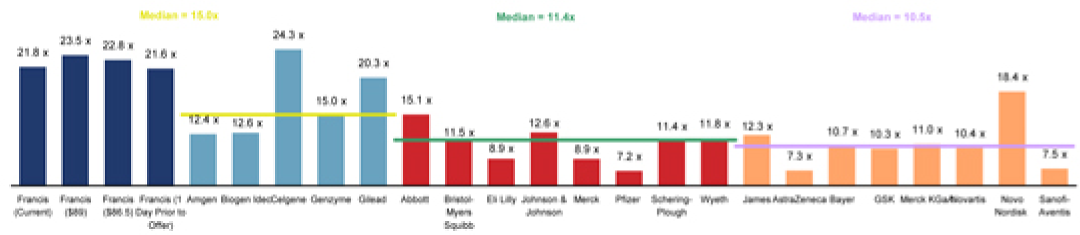
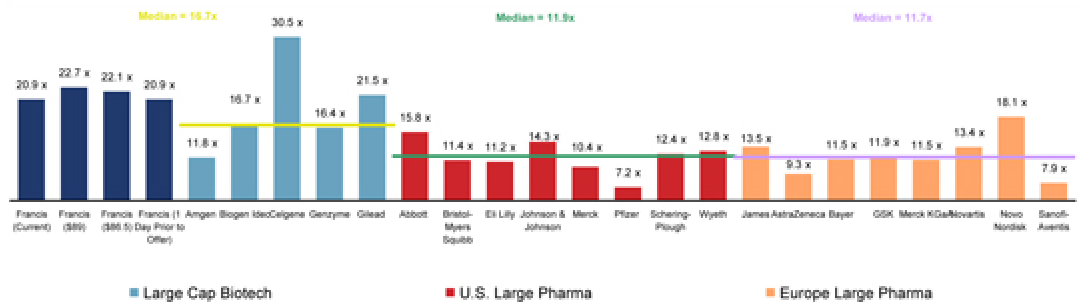
Comparison of Public Trading Multiples

Francis vs. Large Cap Biotech and Large Pharma

2009 P/E (Current)



2009 P/E (As of 18-Jul-2008)



Source: IBES median estimates as of 10-Feb-2009 and 18-Jul-2008

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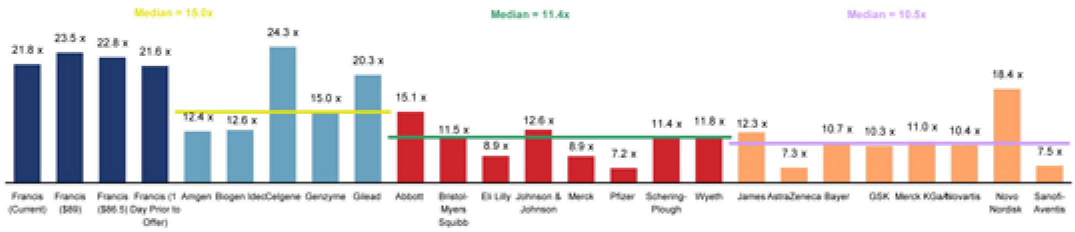
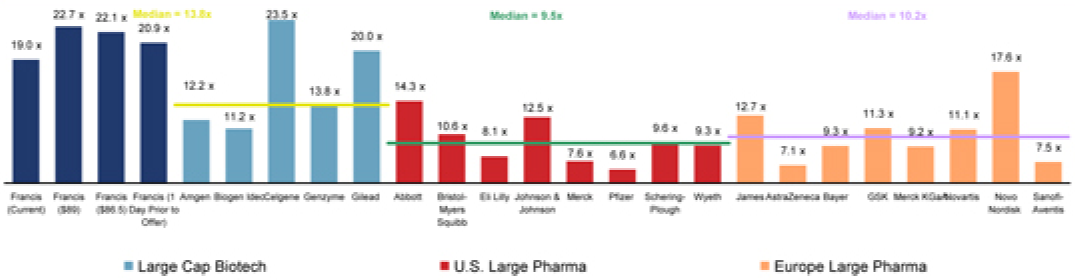
Comparison of Public Trading Multiples

Francis vs. Large Cap Biotech and Large Pharma

2009 P/E (Current)



2009 P/E (As of 10-Dec-2008 Meeting)



Source: IBES median estimates as of 10-Feb-2009 and 05-Dec-2008

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Pfizer's Acquisition of Wyeth

Goldman Sachs Acted as Lead Financial Advisor to Pfizer

Announced on 26-Jan-2009

Transaction Highlights

- On 26-Jan-2009, Pfizer (PFE) and Wyeth (WYE) announced a definitive agreement for Pfizer to acquire Wyeth
- Pfizer will acquire the outstanding common stock of Wyeth for $33.00 in cash and 0.985 of a share of Pfizer common stock per Wyeth share
- This represents an implied value of approximately $50 per share, or total equity value of $68bn / enterprise value of $64bn
  - A premium of 29% to the undisturbed Wyeth closing price of $38.83 on 22-Jan-2009
  - A premium of 41% to the average Wyeth closing price for 90 calendar days preceding 22-Jan-2009
- This is the second largest U.S. healthcare deal ever
- Goldman Sachs, Bank of America Merrill Lynch, and J.P. Morgan advised Pfizer; Morgan Stanley and Evercore advised Wyeth

Strategic Rationale

- The transaction creates a premier global biopharmaceutical company that is one of the most diversified in the healthcare industry
  - The deal represents a unique opportunity for Pfizer to diversify its business and acquire attractive strategic assets, with approximately 40% of 2012E revenues generated from outside of small molecules
- The acquisition establishes a company with leadership in:
  - Human, Animal and Consumer Health
  - Primary and Specialty Care
  - Vaccines, Biologics and Small Molecules
  - Developed and Developing Markets

Transaction Statistics

Transaction Value	$64bn
Consideration Type	66% Cash / 34% Stock
Transaction Value / 2009E IBES Revenue	2.8x

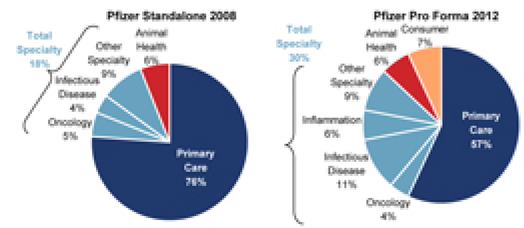
Overview of Pfizer

- Pfizer is the world's largest research-based biomedical and pharmaceutical company
- Pfizer currently has approximately 85,000 employees in more than 150 countries working to discover, develop, manufacture and deliver quality, safe and effective prescription medicines to patients and animals

Overview of Wyeth

- Wyeth discovers, develops, manufactures, distributes and sells a diversified line of products in three primary businesses:
  - Wyeth Pharmaceuticals – key products include Effexor, Prevnar, Enbrel, Zosyn and Premarin
  - Wyeth Consumer Healthcare – key products include Advil, Robitussin, Centrum, Preparation H and Chapstick
  - Fort Dodge Animal Health – key areas include vaccines, pharmaceuticals, parasite control and growth implants

Pro Forma Therapeutic Revenue Diversification[1]



Source: Public filings, press release

[1] *As per company investor relations presentation.*

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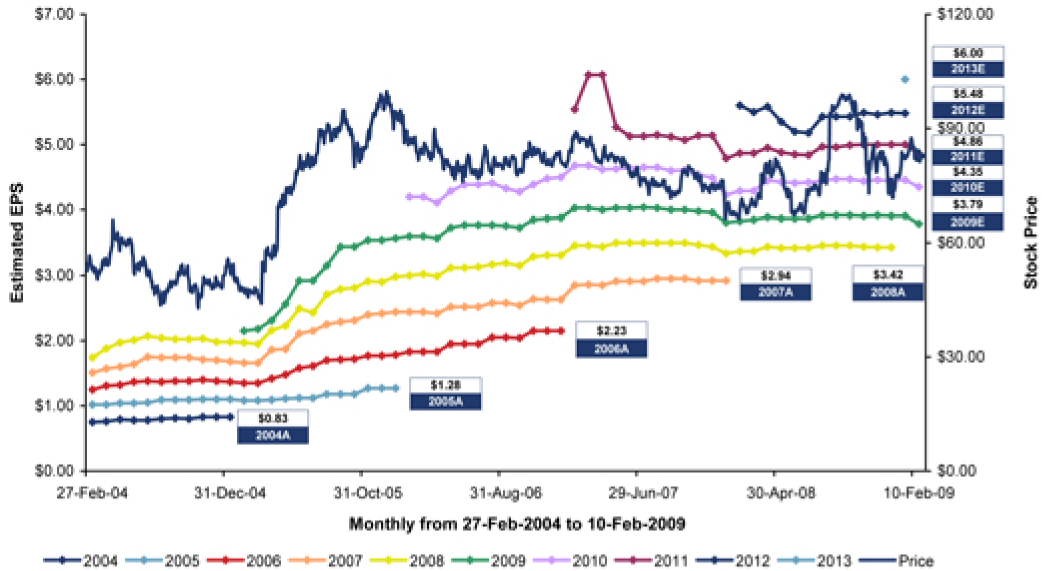
Evolution of Analyst Estimates

Francis

Last Five Years



Source: FactSet and IBES median estimates as of 10-Feb-2009
Note: IBES median estimates exclude stock based compensation expense. Closing price of $82.69 as of 10-Feb-2009.

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Francis Research Analyst Price Targets

($ Per Share)

Date Updated	Bank	Price Target Before Announcement	As of 10-Dec-2008[1] Presentation	Current Price Target	Deal Price Speculation
10-Feb-2009	Baird	$87	$100	$100	$100
10-Feb-2009	Barclays Capital	75	105	97	64-110
10-Feb-2009	BMO Capital Markets	82	104	85	70-100
10-Feb-2009	Morgan Stanley	94	105	102	70-135
10-Feb-2009	Natixis	76	85	85	67-104
09-Feb-2009	Citi	N/A	96	96	96
09-Feb-2009	Deutsche Bank	N/A	97	97	N/A
09-Feb-2009	JP Morgan	100	105	105	105
09-Feb-2009	UBS	92	N/A	100	100
03-Feb-2009	Bernstein Research	86	97	94	89-105
16-Jan-2009	Jefferies & Company	78	100	100	100
16-Jan-2009	Lazard	90	98	98	98
16-Jan-2009	Oppenheimer	88	105	105	102-110
16-Jan-2009	Piper Jaffray	N/A	N/A	96	N/A
16-Jan-2009	RBC Capital	84	100	100	95-100
16-Jan-2009	Rodman & Renshaw	90	90	90	95-124
	High	$100	$105	$105	$135
	Mean	86	99	97	98[2]
	Median	87	100	98	99[2]
	Low	75	85	85	64

Source: Wall Street research
[1] Price targets are latest as of 10-Dec-2008.
[2] Mean and median based on the midpoint of the deal price speculation range.

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Selected Analyst Commentary Regarding Tender Offer

Francis

Broker	Date	Commentary
Cowen	10-Feb-2009	■ "This official offer is about a week early, which **reflects James' eagerness to close this deal** before the results of the Avastin C-08 study in April, and take advantage of current market conditions."
Morgan Stanley	10-Feb-2009	■ "We found several aspects of James' proxy interesting, most supporting our view that: 1) **investors will likely demand a higher price to complete this deal** in front of adjuvant Avastin data; and 2) the **bid may not fall significantly if the trial fails** (although there may be periods of uncertainty)."
Citi	09-Feb-2009	■ "**We do not believe the majority of investors will surrender their shares at $86.50 before adjuvant CRC data is released.** However, we believe James will **continue to extend the tender offer past the March 12 midnight deadline and sweeten the deal along the way.** Thus, this game could continue to play out until adjuvant CRC data is released in mid-April, unless James sweetens the price enough to incite investors not to wait for the data release."
BMO	09-Feb-2009	■ "**We do not believe that a majority of remaining shareholders will tender their shares at the current offer because the offer simply does not provide sufficient premium.**"
JP Morgan	09-Feb-2009	■ "While the documents do provide clarity on the events thus far in the process, there is little in the filing that changes our view that **the tender at $86.50 is likely to fail and that Francis' shares should fetch a price significantly higher than the current tender offer** should the C-08 trial be successful."
Natixis	30-Jan-2009	■ "We see very little chance that James will obtain the 22.5% of the outstanding James shares through this tender, because, after the previous offer, the board committee representing minority shareholders insisted that Francis has value substantially higher than $89, and we believe most of the minority shareholders think that the buyout price should be higher. **In another sign that James does not fully believe it will succeed at this iteration, it did not even announce that it had pre-arranged financing for the tender and rather made the tender contingent upon successfully obtaining financing after the fact.**"

Source: Wall Street research

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Selected Analyst Commentary Regarding James

Broker	Date	Commentary
Citi	10-Feb-2009	■ "We expected the documents on Feb 13 but they were released overnight. The tender offer is set to expire on Mar 12 at midnight EST. **We suspect this early move may be an attempt to catch the Francis advisors and special committee slightly off guard.**" ■ "Despite James intending to achieve 40% of the targeted synergies regardless of the transaction and that some of Francis' defenses appear optimistic, **the initial valuation of $112 is likely to fuel resistance from the minorities, accordingly we would not be surprised if the offer had to be lifted slightly.** However, James raises valid points in its defense and we agree that no control premium need be paid to the minorities so see a large uplift as less likely." ■ "The slow emergence of James' next step after the original $89 offer appears to have been due to **Francis' delaying tactics.**"
Morgan Stanley	10-Feb-2009	■ "James' disclosure of Francis's internal financial projections in its tender document could **significantly unsettle some Francis shareholders,** we believe. The initial tender offer is open to March 12 2009. While we think James will struggle to fulfill non-waivable conditions of the tender at $86.50/share, it increases the probability that Francis will come to the negotiating table at a lower price than the $112/share sought by the Special Committee."
JP Morgan	05-Feb-2009	■ "Key investment concern seems to be whether (and when) James will be able to **turn superior top-line growth into good (double-digit) bottom-line growth, by delivering margin expansion**"
Societe Generale	30-Jan-2009	■ "Impact is threefold: 1) James' direct approach implies that the company is **unwilling to let Francis's independent board of directors impose the deal terms on James'** previously a key concern. 2) We would **expect more than one tender offer period to be necessary; we also would not be surprised if a negotiated agreement with Francis were reached eventually.** 3) Consummation of the transaction prior to data from the C-08 study testing Avastin in adjuvant colorectal cancer (expected between mid-April and June) looks highly unlikely."

Source: Wall Street research

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Research Price Targets and Key Themes
Francis

Broker	Date	Price Target	Price and Valuation Commentary
Morgan Stanley	10-Feb-2008	$102.00	■ "**Our sum of the parts and risk-adjusted cash flow analysis** demonstrates fair-value for Francis is in the **$102+/share range** and we continue to expect James to raise its current $86.50 offer." — "**Bull case valuation of $135 | Fair-value based on merger analysis:** Deal closes after positive Avastin data in adjuvant CRC. We believe adjuvant cancer represents a significant opportunity for Avastin, with $1bn+ in colorectal. In addition, the market will need to markedly increase the probability of success of Avastin in adjuvant breast cancer, a $5bn potential market in the US alone. These sales would significantly increase Francis' fair value." — "**Base Case $102 | Fair value based on merger analysis:** Deal closes at our estimated fair value of current business: Given both our sum of the parts and DCF analyses, we believe fair value is in the $100+ range (**without** adjuvant Avastin data available) and we doubt investors take any offer <$100 seriously" — "**Bear case valuation of $94 | DCF-based intrinsic value:** Deal fails to close: Our bear case models failure of the deal to close…Our $94 bear case is a one-year fair value based on our DCF analysis, which assumes Avastin growth in breast cancer in the near-term drives EPS growth and has risk-adjusted growth estimates for Avastin (assume grows from combination of adjuvant, prostate, and / or ovarian)." — "**Ultra bear case valuation of $65 | DCF-based intrinsic value:** Deal fails, adjuvant fails, and both Avastin sales fall short of expectations… Furthermore, Avastin label does not expand into any other large cancers (data in 2010)."

Source: Wall Street research

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Research Price Targets and Key Themes
Francis

Broker	Date	Price Target	Price and Valuation Commentary
Barclays	10-Feb-2009	$97.00	■ "We arrive at our price target by applying a **26x multiple to 2009 EPS estimate of $3.73. We believe that the 26x multiple at a 30% premium to peers more adequately reflects the aggregate upside potential from product growth**, upcoming clinical trials and potential price bump from James."
Citi	09-Feb-2009	$96.00	■ "Our $96 target price is based on **22x our fully-taxed non-GAAP 2010 EPS estimate of $4.37.** We believe Francis deserves a **premium to the current group average of 17x due to higher '09/'10 growth (18% vs. 15%)**, numerous upcoming catalysts that could unlock growth opportunities that are rare in the large cap-biotech space and support from a potential James acquisition." ■ "We apply a **2009 forward multiple to our 2010 estimates because in 12 months investors should be willing to attribute a similar multiple to 2009 earnings.**"
JP Morgan	09-Feb-2009	$105.00	■ **"Our target is based on a multiple of 27x our 2009 EPS estimate of $3.92.** Our target P/E is at a **premium to peers at 19x**, given a high likelihood for a raised bid from James as well as upside from several positive label expansion opportunities that are not reflected in estimates."
UBS	09-Feb-2009	$100.00	■ "Using a calculation of our original, **standalone PT & James's synergies, terminal tax benefits & elimination of opt-in cost,** we calculate a base case for a James's acquisition valuation of $100/share, our new price target (was $105)."

Source: Wall Street research

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Research Price Targets and Key Themes

Francis

Broker	Date	Price Target	Price and Valuation Commentary
Baird	10-Feb-2009	$100.00	■ "We place an Outperform rating on Francis shares. Large-cap biotech multiples have compressed in the last few quarters from a traditional range of 30-40X current-year EPS expectations. In that we acknowledge the compressing multiples in the biotech industry (the group currently trades near 17X 2009E EPS), **we apply a 26 multiple to our 2009 EPS estimate of $3.85 to derive our 12-month price target of $100.**"
BMO	10-Feb-2009	$85.00	■ "We do not believe that a majority of remaining shareholders will tender their shares at the current offer because the offer simply does not provide sufficient premium. We believe there is a 50% probability that Francis shares could be worth $100 if the Avastin C-08 study is positive. On the downside, we estimate a floor of $70 for Francis shares based on a high probability of a follow-up James offer post a negative C-08 outcome." ■ "**Probability adjusted value of $85 based on 50% C-08 success ($100) and 75% probability of a James offer at 15% premium of worse case price ($63).**"
Natixis	10-Feb-2009	$85.00	■ "Given Francis stock is currently in merger arbitrage, our valuation is as follows: **If the adjuvant colorectal trial fails in mid-April**, **our current 2010 EPS estimate of $4.28 will remain. Applying a 12x multiple leads to $51.00 per share. Giving a 30% takeover premium leads to a potential buyout price of $67.00 per share.** However, **if the Avastin trial succeeds,** we anticipate off-label use beginning in mid-2009. After factoring in increased Avastin sales, **our 2010 EPS estimate would be $4.54. Applying a 20x multiple leads to a valuation of $91.00 per share. Then adding a 15% premium gives a potential buyout price of $104.00 per share.** Therefore, our **$85.00 risk-adjusted target price remains as a probability adjusted arbitrage valuation.** We maintain our target price of $85.00 and HOLD rating."

Source: Wall Street research

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Research Price Targets and Key Themes

Francis

Broker	Date	Price Target	Price and Valuation Commentary
Bernstein	03-Feb-2009	$94.00	■ "Our $94 target price for Francis is based on the high likelihood we place on a deal between James and Francis being completed **($94 is the probability weighted average of our acquisition scenarios).** We now assign a **15% probability to no deal, and the value a year from now being $78, 15% to the deal closing at James's original bid price of $89, 30% to James raising their bid to $97 in Q1 09, 25% to James having to pay $105 after a positive C08 trial result in May and 15% to James paying $89 in May after a negative result to the C08 trial**. Our $94 target price is most easily calculated by applying a **21x multiple to our 2010 EPS estimate of $4.42."**
Rodman & Renshaw	30-Jan-2009	$90.00[1]	■ "**We reiterate our Market Outperform rating and $90 price target.** We reach our target price using a **Discounted Cash Flow (DCF) valuation.** This valuation method is more conservative than sum-of-parts valuation since it takes into account future CapEx and working capital expenses. We forecast sales and individual expenses until 2015 to calculate the free cash flow in each year. **Assuming a conservative terminal growth rate of 3% to calculate the terminal value, we discount the numbers to 2009 by using the Weighted Average Cost of Capital (WACC) of 9.8% to achieve the value of the firm. Subtracting the long-term debt of $2.48bil and adding back cash, we derive the value of equity. Dividing by the outstanding shares, we reach out target price of approximately $90. Our Sum-of-Parts valuation method gives us a price target of approximately $95 on a stand-along basis.** Adjusting for the average and median historical acquisition premiums gives us an acquisition target price range of $116 to $124 per share. However, we believe the James acquisition could occur at a revised bid in the range of $95 to $100 per share."

Source: Wall Street research
[1] Represents price target for standalone Francis.

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Research Price Targets and Key Themes
Francis

Broker	Date	Price Target	Price and Valuation Commentary
Jefferies	16-Jan-2009	$100.00	■ "Our $100 PT **(~7.5x estimated 2009 revenues)** is based on our estimated **minimum acceptable take-out value to Francis' independent directors and shareholders**…"
Lazard	16-Jan-2009	$98.00	■ **"Maintaining our BUY rating and price target of $98.** Our $98 price target is **31x our trailing 12-month EPS of $3.17**, including stock option expense. **Our 31x multiple reflects an average P/E for Francis within the past two years.** We base our Francis price target on last twelve month earnings to facilitate comparisons with prior M&A multiples and because our future earnings estimates contain significant retention bonus expenses. We note that the peak trading price of Francis was $99.66."
Leerink Swann	16-Jan-2009	-	■ "Applying a **25 P/E multiple to our 2009 EPS estimate of $3.58, we believe an end-of-2009 fair value for Francis is ~$72** (our end-of-2008 fair value for FRANCIS was ~$86), although we acknowledge that the James bid of $89/share will likely have greater influence on the valuation than will the underlying fundamentals."

Source: Wall Street research

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Research Price Targets and Key Themes

Francis

Broker	Date	Price Target	Price and Valuation Commentary
Oppenheimer	16-Jan-2009	$105.00	■ "Our $105 price target for Francis is based on **consensus EPS and P/Es for large-cap biotechnology companies in 2009, and our assessment of a fair takeover premium for the company**. We calculated P/E ratios for each comparable company using recent closing prices and our 2009 EPS estimates. **The resulting average P/E ratio for large-cap biotechs is 17.2x. We believe a premium 22.9x P/E multiple is appropriate for Francis given the growth prospects for Avastin and our estimate of a 14.6% 2009-2011E EPS CAGR for Francis' current base business**. By applying this multiple to our **2009 diluted EPS estimate of $3.84, we arrive at an $88 valuation for Francis, not factoring in any takeover premium for the company**... Based on **historical premiums of 25-30%** for **comparable transactions,** we believe fair takeover value for Francis is in the $102 to $110 per share range. Taking near **the midpoint of this range**, we arrive at our $105 price target for Francis."
Piper Jaffray	16-Jan-2009	$96.00[1]	■ "...our 2009 EPS changes from $3.85 to $3.73 and our 2010 EPS from $4.44 to $4.49. Our price target remain s unchanged at $96 based on **a sum-of-the-parts DCF analysis (base business $52 + Avastin adjuvant $18 + cost synergies $4 + pipeline $24 - erosion of Lucentis $2).**"
RBC	16-Jan-2009	$100.00	■ "Our price target is $100, assuming a James acquisition or positive Avastin data. Our $100 target is **25x our 2009E EPS.** We believe an acquisition in the **$95-100 range is reasonable given it is a 7-12% premium to the original bid of $89/share, and a 13 - 18% premium to the current market price.** Francis also has an all time-high price of $99 (November 2005)."

Source: Wall Street research
[1] Represents price target for standalone Francis.

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Francis Top Institutional Shareholders Composition

As of 31-Jan-2009		% O/S
James Holdings	587,189,380	55.76%
Non-James Holding	465,784,657	44.24%
Shares Outstanding	1,052,974,037	

As of 30-Jan-2009	% O/S of Minority
Hedge Fund / Arb	9.00%
Non-Hedge Fund / Arb	91.00%

Top Shareholders (Sorted by "Current Position")

Rank	Institution Name	Position 18-Jul-2008 (Based on 30-Jun-2008 13F Filings)	Position 23-Jan-2009	Current Position 30-Jan-2009	Change vs. 23-Jan-2009	Change vs. 18-Jul-2008	Avg. Cost	Current %O/S of Total	Current %O/S of Minority
1	Fidelity Mgmt. & Research	41,806,660	52,365,067	52,365,067	0	10,558,407	$66.05	4.97%	11.24%
2	Marsico Capital	27,214,792	26,632,703	26,632,703	0	(582,089)	43.59	2.53	5.72
3	AllianceBerstein (AXA)	17,112,145	22,083,000	23,083,000	1,000,000	5,970,855	75.29	2.19	4.96
4	T. Rowe Price	17,256,456	18,332,149	18,332,149	0	1,075,693	76.22	1.74	3.94
5	Barclays Global	15,306,210	14,219,787	14,219,787	0	(1,086,423)	54.51	1.35	3.05
6	Capital Guardian Trust	19,376,837	13,024,240	13,024,240	0	(6,352,597)	78.21	1.24	2.80
7	Jennison Associates	10,779,817	12,179,817	12,179,817	0	1,400,000	68.79	1.16	2.61
8	Vanguard Group	9,056,406	9,808,157	9,808,157	0	751,751	59.28	0.93	2.11
9	Capital Research & Mgmt.	15,350,000	6,021,900	8,021,900	2,000,000	(7,328,100)	65.05	0.76	1.72
10	Waddell & Reed	2,382,370	7,511,504	7,511,504	0	5,129,134	85.73	0.71	1.61
11	State Street Global Advisors	6,597,198	7,196,948	7,196,948	0	599,750	49.72	0.68	1.55
12	Delaware Inv. Advisors	9,135,610	6,919,756	6,919,756	0	(2,215,854)	78.18	0.66	1.49
13	ClearBridge Advisors	9,712,089	6,120,773	6,120,773	0	(3,591,316)	33.14	0.58	1.31
14	Goldman Sachs Asset Mgmt.	7,215,425	5,485,325	5,485,325	0	(1,730,100)	78.19	0.52	1.18
15	TIAA-CREF Asset Mgmt.	7,281,457	5,465,793	5,466,143	350	(1,815,314)	65.24	0.52	1.17
16	PRIMECAP Management	2,949,486	4,348,586	4,348,586	0	1,399,100	73.73	0.41	0.93
17	TCW Asset Mgmt.	4,703,902	4,001,837	4,001,837	0	(702,065)	39.65	0.38	0.86
18	Walter Scott & Partners	4,070,591	3,689,052	3,689,052	0	(381,539)	69.76	0.35	0.79
19	GE Asset Management	3,788,047	3,501,946	3,501,946	0	(286,101)	76.95	0.33	0.75
20	Franklin Advisors	2,965,748	3,458,615	3,458,615	0	492,867	59.21	0.33	0.74
21	Orbimed Advisors	2,716,480	3,280,680	3,280,680	0	564,200	53.54	0.31	0.70
22	RCM Capital Mgmt.	3,060,596	3,260,596	3,260,596	0	200,000	68.72	0.31	0.70
23	Citigroup Global Markets (US)	1,806,259	3,145,282	3,145,282	0	1,339,023	89.38	0.30	0.68
24	Columbia Mgmt. (BofA)	4,147,081	2,854,404	2,854,404	0	(1,292,677)	72.30	0.27	0.61
25	Victory Capital (Keybank Ntl.)	5,392,495	2,839,812	2,839,812	0	(2,552,683)	74.68	0.27	0.61
	Top 25 Institutional Shareholders	251,184,157	247,747,729	250,748,079	3,000,350	(436,078)	$66.20	23.81%	53.83%

Source: Bloom Partners
Note: Capital Research Global and Capital World Investors have been combined. Walter Scott & Partners is Scotland-based investment firm.

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III. Updated Financial Analysis

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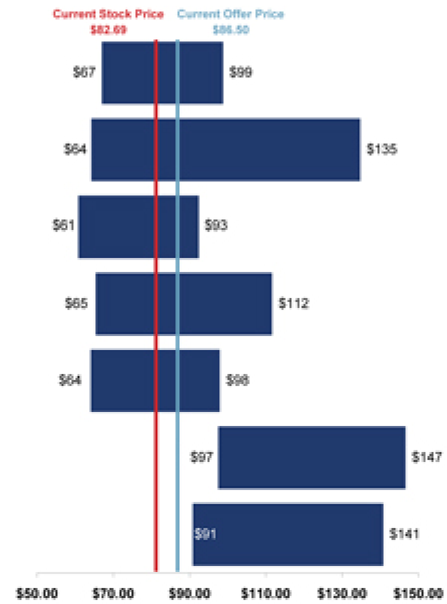
Financial Analysis Overview

Summary

($ Per Share)

Methodology	Equity Value Per Diluted Share		Comments
	Low	High	
52-Week Trading Range	$67	$99	■ 52-Week High: $99.05 ■ 52-Week Low: $66.80
Wall Street Equity Research Deal Price Speculation	$64	$135	■ Wall Street High Target Price: $135.00 ■ Wall Street Low Target Price: $64.00
Comparable Companies (2009E P/E) – Management and IBES EPS Estimates	$61	$93	■ Forward earnings multiple of 16 – 24x on 2009E EPS ■ Management base case 2009E EPS of $3.86 ■ IBES median 2009E EPS of $3.79
Present Value of Future Stock Price – P/E – Management Base Case	$65	$112	■ Forward earnings multiple of 16 – 24x on EPS ■ 9.0% cost of equity ■ Management base case 2010E and 2011E EPS of $4.44 and $5.54
Present Value of Future Stock Price – P/E – IBES	$64	$98	■ Forward earnings multiple of 16 – 24x on EPS ■ 9.0% cost of equity ■ IBES median 2010E and 2011E EPS of $4.35 and $4.86
Whole Co DCF – Base Case (2024)	$97	$147	■ 2 – 4% perpetuity growth rate ■ 8 – 10% discount rate ■ Includes 2015 opt-in value and ESO expense
Whole Co DCF – Base Case (2018)	$91	$141	■ 2 – 4% perpetuity growth rate ■ 8 – 10% discount rate ■ Includes 2015 opt-in value and ESO expense



Source: Francis management projections, Wall Street research and FactSet as of 10-Feb-2009

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A. Present Value of Future Stock Price Analysis

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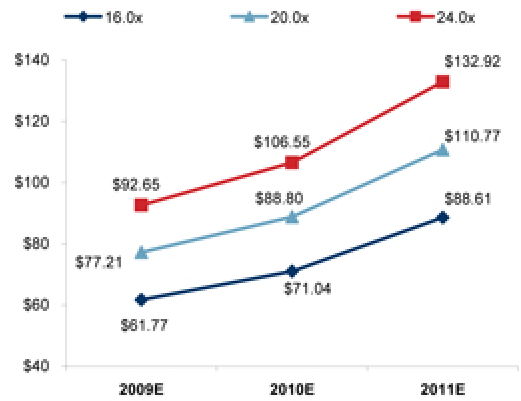
Present Value of Future Stock Price Analysis

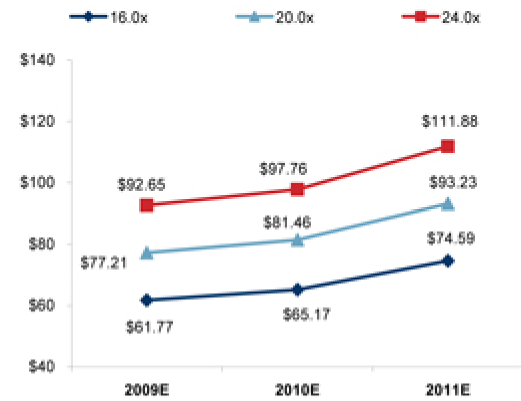
Management Case, Adjusted for Share Repurchases at One Year Forward at 20.0x P/E[1]

($ Per Share)

Future Stock Price (Undiscounted)



Present Value at 9.0% Cost of Equity



	2009E	2010E	2011E	2008E - 2011E CAGR [2]
EPS (Mgmt Forecast)[1]	$ 3.86	$ 4.44	$ 5.54	17.0%
IBES	$ 3.79	$ 4.35	$ 4.86	12.0%

Source: Francis management projections and IBES

[1] Assumes cash of $3.6bn, $7.2bn and $5.5bn for 2009E-2011E, respectively, used to repurchase shares based on management projections. Price of share repurchase assumed to be 20.0x one year forward EPS per Management Case ($88.80, $110.77 and $133.43 for 2009E-2011E, respectively).

[2] 2008E EPS per Francis management.

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B. Discounted Cash Flow Analysis

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Key Assumptions to Francis Management Projections

Near-term

Long-term

- Avastin adjuvant CRC trial (C-08)
  - Base case: 61% PTS in Q2 2009
- Price / reimbursement impacts
  - Base case assumes 3% annual price increases excluding Avastin and Lucentis
  - Avastin price increase contingent upon breast trial outcome
- 2015 James commercial agreement expiration
  - Assumes status quo type of terms
  - Management expects more favorable market terms than current (modeled separately)
- Tax rate assumptions
  - Base case assumes off-shore manufacturing tax benefits trend tax-rate to approximately 29%
- FOB Assumptions
  - Assumptions factor in number of entrants, physician acceptance and price discounts by product
- Unnamed product PTS and market opportunity
  - Assumes large and small molecule NMEs
  - Launch to filing PTS of 20% and 11%, respectively
  - Market opportunity of $1bn per NME indication (including two line extensions)

Source: Francis management

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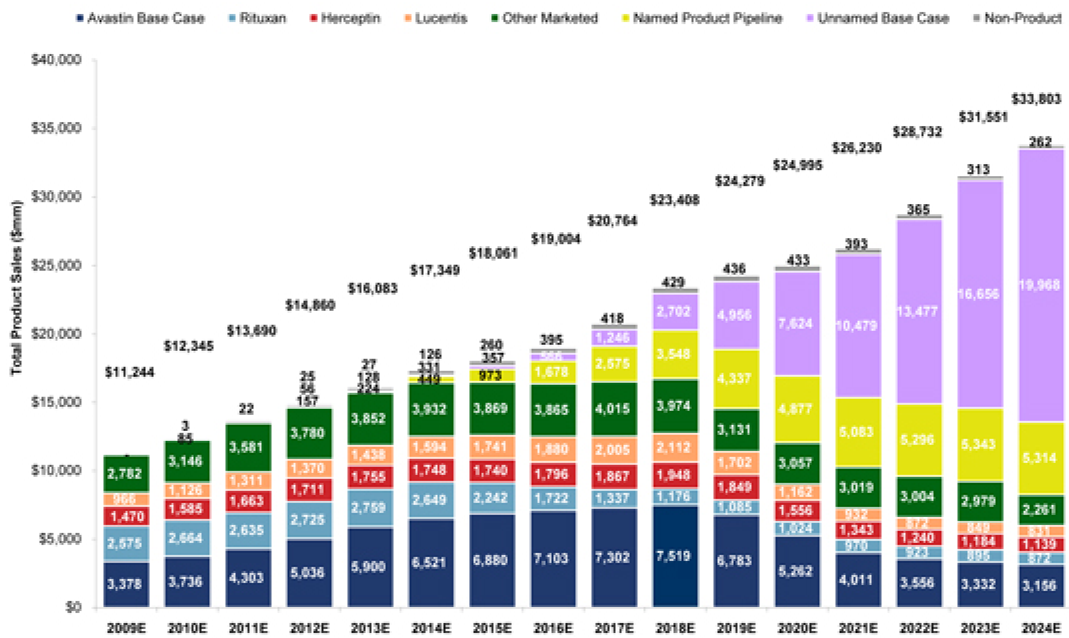
Francis Forecasted Product Sales Breakdown

($ in millions)



Source: Francis management projections

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Discounted Cash Flow Analysis of Francis
Key Assumptions

- Discounted Cash Flow analysis provides a framework to evaluate the ongoing performance of the business, but should be considered in a broader context of approaches (e.g., comparable transaction and trading multiples)
- Projections from 2009 to 2024 provided by Francis Management as of 16-Nov-2008 and provided to James and Greenhill
  - Projections by product were provided for Avastin, Rituxan, Herceptin, Lucentis as well as for the unnamed pipeline
- Assumes 1,052mm basic shares outstanding, as of 31-Oct-2008
  - Current options outstanding included in share count by the treasury stock method
  - Options schedule provided by Francis management as of 14-Nov-2008
- Financial Sensitivity Analysis:
  - Discount rates evaluated using a range of 8.0% - 10.0% based on WACC analysis
  - Terminal value evaluated using perpetuity growth rate method using a range of 2.0% - 4.0%
    - Implied P/E terminal multiple also evaluated
- Assumes 31-Mar-2009 estimated net cash of $7.7 billion
- Assumes capital expenditures of $820mm and depreciation of $661mm in 2024 terminal year, per Company management (assumes normalization in the terminal year)
- Assumes an adjusted tax rate applied to operating income that trends from 36% in 2009 to 29% in 2024 terminal year per management forecast
- Assumes cash flows discounted back to 31-Mar-2009 using mid-year convention
- Analysis includes impact of:
  - Future employee stock options expense: Assumes $328mm in after-tax ESO expense in 2009 with a 3.0% inflation rate and a range of 2.0% - 4.0% of growth in headcount into perpetuity
  - Changes to James / Francis marketing agreement post 2015 per management guidance on expected market rate terms: "Marked to market" 2015 opt-in value derived from discounting projected product royalties from large and small molecules in the unnamed pipeline beginning in 2016, with a range of 2.0% - 4.0% perpetuity growth rate

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Summary Management Forecast

2009E – 2015E

($ in millions, except per share data)

	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2009E - 2012E CAGR	2009E - 2015E CAGR
Revenues:									
Avastin Base Case	$3,378	$3,736	$4,303	$5,036	$5,900	$6,521	$6,880	14.2%	12.6%
Rituxan	2,575	2,664	2,635	2,725	2,759	2,649	2,242	1.9%	(2.3)%
Herceptin	1,470	1,585	1,663	1,711	1,755	1,748	1,740	5.2%	2.9%
Lucentis	966	1,126	1,311	1,370	1,438	1,594	1,741	12.3%	10.3%
Other Named Products and Pipeline	2,782	3,149	3,603	3,836	3,980	4,381	4,841	11.3%	9.7%
Unnamed Base Case	-	-	-	25	27	126	260		
Non-Product	73	85	175	157	224	331	357		
Product Sales	$11,244	$12,345	$13,690	$14,860	$16,083	$17,349	$18,061		
Royalties	2,501	2,465	2,617	2,681	2,723	2,809	2,551		
Contract & Other	373	289	342	497	563	660	805		
Total Revenue	**$ 14,118**	**$ 15,099**	**$ 16,648**	**$ 18,038**	**$ 19,370**	**$ 20,817**	**$ 21,418**	8.5%	7.2%
Cost and Expenses:									
Cost of Sales	$1,541	$1,794	$1,872	$1,760	$1,784	$1,947	$1,969		
R&D	2,824	3,020	3,330	3,608	3,874	4,163	4,284		
MSG&A	2,233	2,183	2,321	2,432	2,495	2,692	2,828		
Profit Sharing	1,352	1,544	1,664	1,688	1,581	1,654	1,645		
Total Cost & Exp.	**$7,950**	**$8,541**	**$9,187**	**$9,488**	**$9,734**	**$10,456**	**$10,726**		
Operating Income	**$6,169**	**$6,558**	**$7,461**	**$8,550**	**$9,636**	**$10,361**	**$10,692**	11.5%	9.6%
EBITDA	**$6,676**	**$7,144**	**$8,021**	**$9,125**	**$10,213**	**$10,946**	**$11,285**	11.0%	9.1%
Other Income, Net	147	240	382	499	496	531	647		
Earnings (Pre-Tax)	**$6,316**	**$6,799**	**$7,843**	**$9,049**	**$10,132**	**$10,892**	**$11,339**	12.7%	10.2%
Taxes	2,275	2,311	2,457	2,739	3,027	3,244	3,370		
Net Income	**$4,041**	**$4,487**	**$5,386**	**$6,310**	**$7,105**	**$7,648**	**$7,969**	16.0%	12.0%
WASO	1,051	1,013	969	933	893	860	846		
EPS	**$3.85**	**$4.43**	**$5.56**	**$6.76**	**$7.96**	**$8.90**	**$9.42**	**20.7%**	**16.1%**
Growth and Margins Analysis									
Revenue Growth	-	6.9 %	10.3 %	8.3 %	7.4 %	7.5 %	2.9 %		
R&D as % of Revenue	20.0	20.0	20.0	20.0	20.0	20.0	20.0		
MSG&A as % of Revenue	15.8	14.5	13.9	13.5	12.9	12.9	13.2		
EBIT Margin	43.7	43.4	44.8	47.4	49.7	49.8	49.9		
EBITDA Margin	47.3	47.3	48.2	50.6	52.7	52.6	52.7		
EPS Growth	-	15.2	25.4	21.7	17.7	11.8	5.8		
Selected Balance Sheet Metrics									
Cash & Equivalents [1]	$8,131	$5,975	$7,413	$8,178	$8,961	$11,738	$17,526		
Total Debt	2,268	1,755	1,741	1,724	1,705	1,683	658		
Selected Cash Flow Metrics									
Depreciation	$507	$586	$559	$575	$577	$585	$594		
Capital Expenditures	(546)	(560)	(620)	(600)	(554)	(545)	(593)		
(Increase) / Decrease in Working Capital	(50)	(371)	125	(68)	(122)	(132)	(58)		

Source: Company management projections as of 16-Nov-2008

[1] *Includes short-term investments*

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Cash Flow Analysis

($ in millions)

	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	'09E - '15E CAGR	'15E - '24E CAGR	'09E - '24E CAGR
Revenue	$14,118	$15,099	$16,648	$18,038	$19,370	$20,817	$21,418	$22,273	$24,171	$26,897	$27,542	$28,398	$29,883	$32,825	$36,099	$38,764	7.2%	6.8%	7.0%
Operating Income	$6,169	$6,558	$7,461	$8,550	$9,636	$10,361	$10,692	$11,173	$12,414	$14,148	$14,450	$14,217	$14,609	$16,182	$17,970	$19,604	9.6%	7.0%	8.0%
Taxes	(2,219)	(2,220)	(2,311)	(2,548)	(2,838)	(3,041)	(3,121)	(3,252)	(3,662)	(4,223)	(4,116)	(4,095)	(4,203)	(4,756)	(5,269)	(5,732)			
Unlevered Net Income	$3,950	$4,339	$5,150	$6,002	$6,798	$7,320	$7,570	$7,920	$8,752	$9,925	$10,334	$10,122	$10,406	$11,426	$12,701	$13,872	11.5%	7.0%	8.7%
Depreciation	$507	$586	$559	$575	$577	$585	$594	$593	$594	$606	$613	$638	$625	$622	$635	$661			
CapEx	(546)	(560)	(620)	(600)	(554)	(545)	(593)	(647)	(640)	(716)	(688)	(722)	(782)	(808)	(833)	(820)			
(Increase) / Decrease in Working Capital	(50)	(371)	125	(68)	(122)	(132)	(58)	(91)	(222)	(228)	(126)	7	(197)	(231)	(397)	(746)			
Unlevered Free Cash Flow	$3,861	$3,994	$5,214	$5,909	$6,699	$7,228	$7,513	$7,776	$8,483	$9,588	$10,133	$10,044	$10,052	$11,010	$12,105	$12,968	11.7%	6.3%	8.4%
EBITDA	6,676	7,144	8,021	9,125	10,213	10,946	11,285	11,766	13,007	14,754	15,063	14,855	15,234	16,804	18,605	20,266	9.1%	6.7%	7.7%
Adjusted Tax Rate	36.0%	33.8%	31.0%	29.8%	29.4%	29.3%	29.2%	29.1%	29.5%	29.8%	28.5%	28.8%	28.8%	29.4%	29.3%	29.2%			

Source: Company management projections as of 16-Nov-2008

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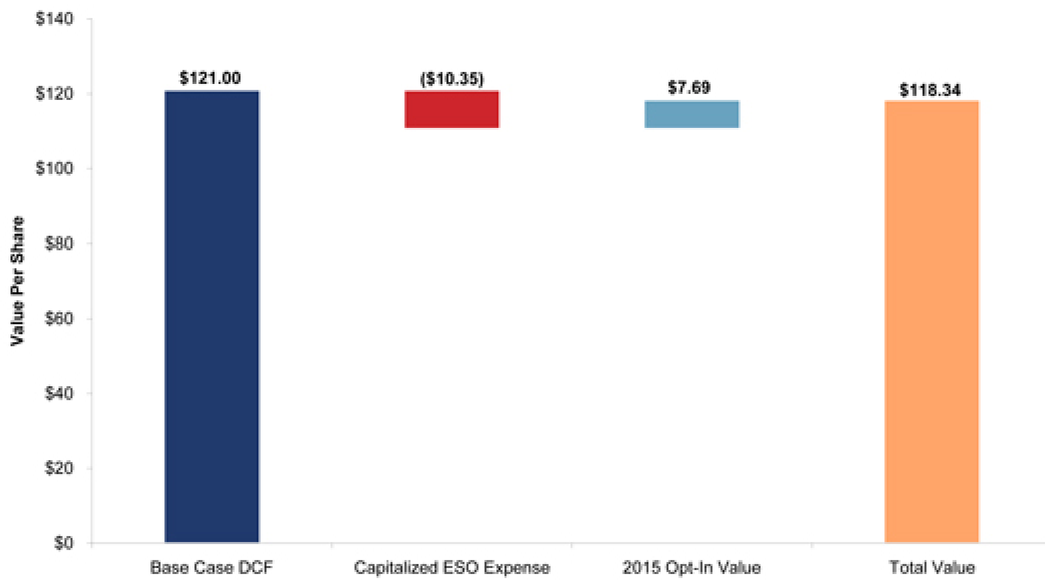
Illustrative Components of Discounted Cash Flow Analysis

Base Case: Assumes 3.0% Perpetuity Growth Rate and 9.0% Discount Rate

($ Per Share)



Source: Financial projections and scenarios per Francis management as of 16-Nov-2008
Note: Assumes 1,052mm basic shares outstanding, as of 31-Oct-2008. Fully diluted shares outstanding calculated using treasury stock method based on options schedule provided by Francis management. Assumes net cash of $7.7 billion and cash flows discounted to 31-Mar-2009 using mid-year convention.

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Discounted Cash Flow Analysis of Francis

Financial Sensitivities

2024 Terminal Year

Enterprise Value

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$97,327	$99,467	$101,834	$104,446	$107,299
9.5 %	105,295	107,891	110,766	113,925	117,319
9.0 %	114,467	117,628	121,120	124,905	128,791
8.5 %	125,100	128,954	133,166	137,562	141,470
8.0 %	137,512	142,191	147,144	151,729	153,327

Equity Value Per Share

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$97.28	$99.18	$101.27	$103.58	$106.11
9.5 %	104.34	106.63	109.18	111.97	114.98
9.0 %	112.45	115.25	118.34	121.69	125.13
8.5 %	121.87	125.28	129.01	132.90	136.36
8.0 %	132.85	137.00	141.38	145.44	146.85

% of Enterprise Value in Terminal Value

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	40.2 %	42.2 %	44.3 %	46.8 %	49.6 %
9.5 %	42.5	44.6	47.1	49.8	53.0
9.0 %	44.9	47.3	50.0	53.1	57.0
8.5 %	47.5	50.1	53.2	56.9	61.8
8.0 %	50.2	53.2	56.8	61.5	68.8

Implied 2024 P/E[1]

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	10.6 x	11.4 x	12.3 x	13.3 x	14.5 x
9.5 %	11.3	12.2	13.2	14.4	15.7
9.0 %	12.1	13.1	14.3	15.6	17.3
8.5 %	13.0	14.2	15.5	17.2	19.2
8.0 %	14.1	15.4	17.0	19.0	21.5

Source: Financial projections and scenarios per Francis management as of 16-Nov-2008
Note: Includes capitalized ESO expense and "marked to market" 2015 opt-in value. Assumes 1,052mm basic shares outstanding, as of 31-Oct-2008. Fully diluted shares outstanding calculated using treasury stock method based on options schedule provided by Francis management. Assumes net cash of $7.7 billion and cash flows discounted to 31-Mar-2009 using mid-year convention
[1] P/E as implied by net income per Francis management projections

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Discounted Cash Flow Analysis of Francis

Financial Sensitivities

2018 Terminal Year

Enterprise Value

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$89,767	$92,775	$96,134	$99,891	$104,080
9.5 %	96,725	100,258	104,215	108,637	113,523
9.0 %	104,705	108,875	113,545	118,722	124,277
8.5 %	113,921	118,855	124,344	130,271	136,051
8.0 %	124,630	130,453	136,780	143,043	146,739

Equity Value Per Share

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$90.59	$93.25	$96.23	$99.55	$103.26
9.5 %	96.75	99.88	103.38	107.29	111.62
9.0 %	103.81	107.50	111.64	116.22	121.14
8.5 %	111.97	116.34	121.20	126.44	131.56
8.0 %	121.45	126.61	132.21	137.75	141.02

% of Enterprise Value in Terminal Value

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	57.0 %	59.2 %	61.5 %	64.0 %	66.9 %
9.5 %	58.9	61.2	63.7	66.5	69.8
9.0 %	60.8	63.3	66.1	69.3	73.1
8.5 %	62.8	65.5	68.7	72.4	77.5
8.0 %	64.9	68.0	71.7	76.5	84.3

Implied 2018 P/E[1]

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	11.9 x	12.8 x	13.8 x	14.9 x	16.2 x
9.5 %	12.7	13.7	14.8	16.1	17.6
9.0 %	13.6	14.7	16.0	17.5	19.3
8.5 %	14.6	15.9	17.4	19.2	21.4
8.0 %	15.7	17.3	19.1	21.3	24.1

Source: Financial projections and scenarios per Francis management as of 16-Nov-2008
Note: Includes capitalized ESO expense and "marked to market" 2015 opt-in value. Assumes 1,052mm basic shares outstanding, as of 31-Oct-2008. Fully diluted shares outstanding calculated using treasury stock method based on options schedule provided by Francis management. Assumes net cash of $7.7 billion and cash flows discounted to 31-Mar-2009 using mid-year convention
[1] P/E as implied by net income per Francis management projections

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2015 Opt-In Valuation Assumptions

Key Assumptions

- Management forecast assumes current James / Francis royalty arrangement remains in place post 2015 with ~15% royalty rate
- Incremental value assumes a market royalty rate of 20% to 30% less the existing 15% royalty rate assumed in the management forecast
- $500M peak for lead indication and $250M peak sales for each line extension
  - Ex-U.S. sales equal to 100% of U.S. sales
- 35% marginal tax rate applied to post-2015 royalty revenues
- NMEs per year from 2015-2025 consistent with the management base case
- NMEs post 2025 held constant at 13 NMEs per year
  - Sensitivity analysis varies the 13 base case NMEs per year +/- 2 NMEs per year
- Revenues projected to 2060 (beginning in 2022) and discounted to 31-Mar-2009 using mid-year convention
  - Discount rate of 8.0 to 10.0%

Incremental Value Per Share

Discount Rate	Royalty Rate: 20%	23%	25%	28%	30%
10.0 %	$2.74	$4.10	$5.47	$6.84	$8.21
9.5 %	3.23	4.85	6.47	8.08	9.70
9.0 %	3.85	5.77	7.69	9.62	11.54
8.5 %	4.61	6.92	9.22	11.53	13.83
8.0 %	5.58	8.37	11.16	13.95	16.74

Incremental Value Per Share

Discount Rate	Incremental Slots: (2.0)	(1.0)	0.0	1.0	2.0
10.0 %	$3.26	$4.36	$5.47	$7.41	$9.35
9.5 %	3.86	5.15	6.47	8.66	10.86
9.0 %	4.61	6.14	7.69	10.20	12.71
8.5 %	5.53	7.36	9.22	12.11	14.99
8.0 %	6.71	8.92	11.16	14.50	17.85

Source: Company management
Note: Assumes 1,052mm basic shares outstanding, as of 31-Oct-2008. Fully diluted shares outstanding calculated using treasury stock method based on options schedule provided by Francis management.

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Employee Stock Option Expense Assumptions

($ in millions, except per share data)

Key Assumptions

- Employee stock expense per management estimates
- Assumes Black Scholes based estimate of 2009 after-tax employee stock option expense of $328 million
- 6% annual growth rate of ESO issuance consists of an assumed 3% annual inflation plus 3% annual employee growth
  - Sensitivity analysis varies 6% ESO growth rate by +/- 1.0% to reflect potential changes in inflation and employee growth
- Net present value projected per Francis management
  - Discount rate of 8.0 to 10.0%

Total Value

Discount Rate	ESO Growth Rate: 5.0 %	5.5 %	6.0 %	6.5 %	7.0 %
10.0 %	($6,840)	($7,565)	($8,473)	($9,639)	($11,194)
9.5 %	(7,588)	(8,498)	(9,668)	(11,228)	(13,412)
9.0 %	(8,524)	(9,698)	(11,262)	(13,453)	(16,739)
8.5 %	(9,728)	(11,297)	(13,494)	(16,790)	(22,283)
8.0 %	(11,332)	(13,536)	(16,842)	(22,352)	(33,372)

Total Value Per Share

Discount Rate	ESO Growth Rate: 5.0 %	5.5 %	6.0 %	6.5 %	7.0 %
10.0 %	($6.34)	($7.01)	($7.84)	($8.91)	($10.33)
9.5 %	(7.01)	(7.84)	(8.91)	(10.34)	(12.34)
9.0 %	(7.85)	(8.92)	(10.35)	(12.35)	(15.35)
8.5 %	(8.93)	(10.36)	(12.36)	(15.37)	(20.38)
8.0 %	(10.37)	(12.38)	(15.38)	(20.40)	(30.44)

Source: Company management
Note: Assumes 1,052mm basic shares outstanding, as of 31-Oct-2008. Fully diluted shares outstanding calculated using treasury stock method based on options schedule provided by Francis management.

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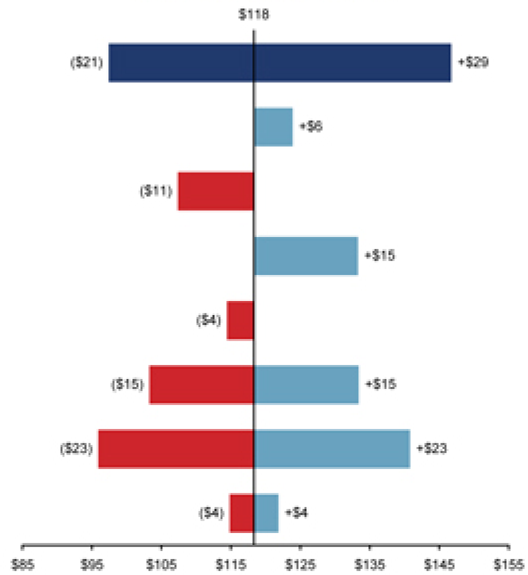
Illustrative Review of Financial Analysis

Sensitivity Analysis

($ Per Share)

Item	Methodology
Base Case	Range of 8% to 10% discount rate and 2% to 4% perpetuity growth rate
Scenarios[1]	
Adjuvant Upside	70% PTS for adjuvant lung and breast indications; early positive C-08 results in Q2 2009
Adjuvant Downside	10% PTS for adjuvant lung and breast indications; negative C-08 results by Q2 2009
Unnamed Pipeline Upside	Greater market opportunity – one in five future molecules added to portfolio have an Avastin like sales potential (~$2.3 billion peak sales)
Unnamed Pipeline Downside	Reduced overall market opportunity to $750 million for each product
Volume	-10% to +10% incremental change in volume / total revenue (constant margins)
Pricing	-10% to +10% incremental change in pricing (no change in costs)
Follow-on Biologic	-20% to +20% incremental follow-on biologic erosion for top 4 products (constant margins)

Equity Value Per Diluted Share



Source: Francis management projections

[1] *Assumes 3.0% perpetuity growth rate and 9.0% discount rate*

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C. Transaction-Related Financial Analysis

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Transaction-Related Source of Value

- Synergies to James
  - James publicly acknowledges $750 to $850 million in synergy opportunity
    - Precedent transactions show this estimate to be conservative when measured as a percentage of sales and operating expenses
- Tax Benefits
  - Inter-company loan: James acknowledges using inter-company tax strategies in recent acquisitions to reduce tax leakage
  - Long-term tax strategies: Under James' ownership, Francis can gradually lower the tax rate by moving existing IP and housing new IP in foreign jurisdictions as well as expanding Francis' current plan to offshore manufacturing activities
- The Intangibles – Control versus Ownership
  - *"Be very careful -- we control, but we don't own. And there is, as Bill or Severin pointed out, there is no free exchange of information, of know-how, of intellectual property; all that is today not possible. We are running two parallel organizations. We are running programs that are parallel and perhaps should not be parallel. We are developing the same drugs on the one hand in the United States through an organization; on the other hand, outside of the States through an organization. More and more large company overlaps are being created."*
    --- Franz Humer, Investor Conference, 22-Jul-2008
- Cash Flow Control

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Illustrative Benefits Related to Inter-Company Loan

($ in billions, except per share data)

Potential Inter-Company Loan Benefit

- James Swiss parent raises debt in non-U.S. jurisdictions
- James parent loans proceeds to its U.S. subsidiary at an arm's-length rate (e.g., 8%) to fund the buyout consideration (the "inter-company loan")
- The inter-company loan creates tax deductions in the U.S. which enhances after-tax cash flow from Francis' operations
  - Interest on inter-company loan is generally deductible for U.S. tax purposes provided aggregate interest expense does not exceed 50% of taxable EBITDA
  - Interest payments should not be subject to U.S. withholding tax under U.S.-Swiss tax treaty
- Need to determine whether and at what rate the interest income would be taxable in Switzerland
  - Generally, Swiss companies would be subject to tax on interest income at 25% tax rate, although there may be structures to reduce tax liability in Switzerland
- Illustrative tax shield assuming $30 billion in new debt:
  - ($30bn debt * 8% interest rate * 39% marginal tax rate) = $936mm annual benefit
  - If Swiss tax rate on interest income is 25%, net tax savings of $336mm; net benefit even greater if interest income is subject to even lower tax rate in Switzerland or the Netherlands

NPV Benefit of Inter-Company Loan at Various Swiss Tax Rates

Per Total Share

Swiss Tax Rate	Inter-Company Loan Amount ($bn)				
	$10.0	$20.0	$30.0	$40.0	$50.0
25 %	$1.14	$2.29	$3.43	$4.58	$5.72
20 %	1.55	3.11	4.66	6.21	7.77
15 %	1.96	3.92	5.89	7.85	9.81
10 %	2.37	4.74	7.11	9.48	11.85
5 %	2.78	5.56	8.34	11.12	13.90
0 %	3.19	6.38	9.57	12.75	15.94

Per Minority Share

Swiss Tax Rate	Inter-Company Loan Amount ($bn)				
	$10.0	$20.0	$30.0	$40.0	$50.0
25 %	$2.49	$4.98	$7.47	$9.95	$12.44
20 %	3.38	6.75	10.13	13.51	16.89
15 %	4.27	8.53	12.80	17.06	21.33
10 %	5.16	10.31	15.47	20.62	25.78
5 %	6.04	12.09	18.13	24.18	30.22
0 %	6.93	13.87	20.80	27.73	34.66

Note: Assumes 1,087 mm diluted shares outstanding. Assumes James owns 587mm shares and the remainder held by minority shareholders. Assumes 9.0% cost of capital. Assumes James will not pay down transaction debt and U.S. marginal tax rate of 39%.

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Illustrative Benefits Related to Long-Term Tax Strategies

- Over time James may be able to offshore Francis IP to achieve a lower overall tax rate
  - Immediate movement of IP offshore would generate a large one-time tax bill
- In addition, due to global operations, James may be able to accelerate and/or maintain offshore manufacturing tax benefits for a longer period
- The long term benefit of a tax rate that approximates James' current tax rate could contribute significant long-term value
- The table below shows the net value that could be created by trending to a 26% terminal year tax rate vs. a 29% tax rate

Present Value of Long-term Tax Strategies

Per Total Share

Discount Rate	Perpetuity Growth Rate: 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$0.77	$0.89	$1.03	$1.19	$1.37
9.5 %	1.01	1.15	1.32	1.52	1.76
9.0 %	1.29	1.47	1.68	1.93	2.23
8.5 %	1.63	1.86	2.12	2.44	2.83
8.0 %	2.04	2.33	2.67	3.09	3.61

Per Minority Share

Discount Rate	Perpetuity Growth Rate: 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$1.74	$2.02	$2.33	$2.69	$3.10
9.5 %	2.28	2.61	3.00	3.44	3.97
9.0 %	2.92	3.33	3.81	4.37	5.05
8.5 %	3.69	4.20	4.80	5.53	6.41
8.0 %	4.62	5.27	6.04	6.98	8.16

Note: Assumes 1,052mm basic shares outstanding, as of 31-Oct-2008. Fully diluted shares outstanding calculated using treasury stock method based on options schedule provided by Francis management. Assumes 44.2% minority holdings. Assumes James will not pay down transaction debt. Potential tax withholding related to interest income to parent entity is not included in analysis.

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Synergy Levels in Precedent Pharmaceutical Transactions

($ in millions)

Announced Transactions	Total Announced Cost Savings ($mm)	Total Cost Savings as a % of Prior Year Combined: Pharma Sales	R&D + SG&A
James / Francis	*$750 - $850*	*2.5% - 2.8%*	*4.4% - 5.0%*
Pfizer / Wyeth	4,000	6.3	12.2
UCB / Schwarz	382	10.8	17.5
AstraZeneca / MedImmune	500	1.8	3.3
Roche / Syntex	825	10.6	21.4
Glaxo / Wellcome	1,165	9.4	19.9
Ciba-Geigy / Sandoz	1,500	7.8	17.7
Pfizer / Warner-Lambert [1]	1,700	8.1	14.5
Astra / Zeneca	1,900	8.5	14.1
Pharmacia / Upjohn	500	6.7	13.5
Glaxo / SmithKline	1,700	8.1	13.0
AHP / Monsanto [2]	1,400	6.2	12.9
Sanofi-Synthelabo / Aventis	1,940	6.1	12.5
Pfizer / Pharmacia	2,500	6.8	11.0
Monsanto / Pharmacia & Upjohn	600	5.7	9.4
AHP / Warner-Lambert [2]	1,200	6.9	9.1
	High	***10.8%***	***21.4%***
	Mean	***7.3***	***13.5***
	Median	***6.9***	***13.0***
	Low	***1.8***	***3.3***

Source: Publicly available information
[1] Represents percentages based on Pharma businesses only. Adjusts for Warner-Lambert's consumer and confectionary businesses and Pfizer's animal health and consumer businesses.
[2] Deal withdrawn.

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Illustrative Benefits Related to Incremental Synergy Benefits

- James has messaged $750 - $850mm in synergies
  - Precedent transactions indicate synergies could be substantially larger

EPS Impact to James

- The incremental impact of $100mm of pre-tax synergies is an annual CHF 0.11 per share to James EPS (0.8% of James 2009E EPS)

Present Value of Synergies

- Discounted by 8.0% - 10.0%, assuming no growth rate

Present Value of Synergies

Per Total Share

Cost of Capital	Annual Savings: $750	$850	$1,500	$2,250
10.0 %	$4.41	$5.00	$8.83	$13.24
9.0 %	4.90	5.56	9.81	14.71
8.0 %	5.52	6.25	11.03	16.55

Per Minority Share

Cost of Capital	Annual Savings: $750	$850	$1,500	$2,250
10.0 %	$9.60	$10.88	$19.19	$28.79
9.0 %	10.66	12.08	21.32	31.99
8.0 %	11.99	13.59	23.99	35.98

Note: Assumes 1,087 mm diluted shares outstanding. Assumes James owns 587mm shares and the remainder held by minority shareholders. Synergies taxed at Francis tax rate of approximately 36.0%. EPS benefit to James based on 1.22 CHF : USD exchange rate and 862.6 million James shares outstanding. Percentage change to James EPS based on 2009E Wall Street EPS of CHF 13.23.

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Selected Quotes Regarding James Financing

Quotes from James:

"Credit spreads have widened noticeable, even for high grade issuers such as James, and financing terms have become more onerous. For example, to finance its acquisition of Wyeth, Pfizer had to pay 7% to 9% on one-year bank debt and agree to an unusual provision allowing banks and "out" if Pfizer's rating declines past certain thresholds"

— *Greenhill Presentation to James, 07-Feb-2009*

"We are very confident that we can get financing in place as soon as we need, It will be a mixture of various tools such as bonds, cash on hand, commercial paper, bank financing, and we would approach first the bond markets,"

— *Severin Schwan, 06-Feb-2009*

"As soon as the tender offer stands, we will launch bonds which will serve as a base for further talks on financing the deal."

— *Severin Schwan, 04-Feb-2009*

Quotes from Analysts and Press:

"James is to hold a European roadshow next week for a bond issue to help fund its planned buyout of Francis, three sources familiar with the situation said on Thursday… One source familiar with the situation said James was likely to be looking for around $10 billion from the bond market and a $25 billion loan from a syndicate of 12 banks -- supplemented by $7 billion of its own cash -- to pay for Francis... The availability of funding for two such bumper acquisitions (Pfizer / Wyeth and James / Francis) indicates that debt markets for cash-rich drugmakers are far from dead, although sources said the richly priced Pfizer loan could vacuum up cash and make financing more tricky for James."

— *Reuters, 12-Feb-2009*

"Here's an interesting story about James' lack of financing for the deal. Apparently, it's currently looking for a $27 billion bridge commitment which it will then turn around and float off as bonds. Layoffs will follow like night follows day as James cuts expenses to make those payments"

— *BNET, 10-Feb-2009*

"Although James may wait for meaningful improvement in credit market to lower cost of capital, we continue to believe James will be able to obtain financing, and needs to do so before adjuvant data read-out. We expect upside in Francis as credit markets ease and financing appears more feasible."

— *Morgan Stanley, 10-Feb-2009*

"The acquisition of Wyeth shows that mega-deals are possible in times of troubled financial markets, so we still expect James to succeed in the planned takeover of Francis"

— *DZ Bank, 30-Jan-2009*

"Banks are checking if there is internal capital to do the deal, quite honestly, I think it will be difficult. The question is — is there enough capital for a deal of that size,"

— *CNN, 30-Jan-2009*

Source: Wall Street research, Factiva

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IV. Credit Market Considerations and Transaction Analysis

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A. Credit Market Considerations

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Current Credit Market Considerations

- Financing markets are showing signs of improvement for high quality, investment grade issuers
  - Pfizer/Wyeth bridge loan for $22.5 billion is a positive development, although lenders negotiated unusual funding conditions and sizeable up-front fees
  - Novartis successfully placed $5 billion in bonds during its initial US public bond offering
  - Investment grade new issue volume year to date has been strong
    - More than $80bn of new corporate issuance year-to-date in 2009, including 10 offerings larger than $3bn
- Reduced bank capacity continues to create size constraints for completing large transactions
  - Commitments are very expensive
  - Pfizer loan arguably decreases capacity
- Uncertainty around government sponsored bank relief programs adds to near term lending hesitancy
- However, James and Francis are considered stable, creditworthy companies, which makes it difficult to completely dismiss the ability to finance a deal
  - Generate significant cash flow
  - Low existing leverage levels
  - Healthcare considered a relatively stable sector during economic downturns

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Financing Details: Pfizer's Acquisition of Wyeth

Goldman Sachs Acted as Lead Financial Advisor to Pfizer

Announced on 26-Jan-2009

Pfizer
Wyeth

Transaction Highlights

- On 26-Jan-2009, Pfizer (PFE) and Wyeth (WYE) announced a definitive agreement for Pfizer to acquire Wyeth
- Pfizer will acquire the outstanding common stock of Wyeth for $44.93bn of cash, including a $22.50bn 364-Day Senior Unsecured Bridge Loan, and $22.89bn of Pfizer common stock
- This represents an implied value of approximately $50.19 per share, or total equity value of $67.81bn
- Goldman Sachs, J.P. Morgan, Bank of America Merrill Lynch, Citi and Barclays are acting as Joint Bookrunners and Joint Lead Arrangers

Summary Key Terms and Conditions

Borrower	Pfizer Inc.
Facility	364-Day Senior Unsecured Single Draw Bridge
Exp. Corp. Credit Rating	AA(stable)/A1(stable) and A-1+(conf)/P-1(aff)
Size	$22.50bn
Initial Lead Arrangers	GS, JPM, BoAML, Citi, Bar
Guarantors	Borrowers' domestic subsidiaries
Pricing	L + 300.0bps with 50.0bps step-ups per quarter (subject to a ratings based grid)
Commitment Fee	37.5bps (subject to a ratings based grid)
Mandatory Prepayments	Asset Sales, Equity Offerings, Indebtedness
Financial Covenant	Debt / EBITDA
Extension Option	$4.50bn for 3 months and $2.25bn for next 3 months. 200bps fee for each extension
Conditions Precedent	Pfizer MAE, Wyeth MAE, Minimum Ratings of A2(stable)/A(stable) and A-1(conf)/P-1(aff)

Duration Fees (Days from Funding; calculated on Outstanding Amount)	Amount	90 Days	180 Days	270 Days
	≥$12.5bn	150.0bps	200.0bps	300.0bps
	<$12.5bn but ≥ $7.5bn	100.0bps	150.0bps	200.0bps
	<$7.5bn	75.0bps	125.0bps	175.0bps

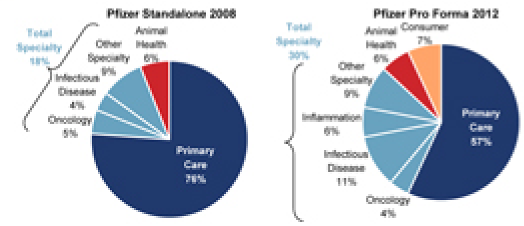
Overview of Pfizer

- Pfizer is the world's largest research-based biomedical and pharmaceutical company
- Pfizer currently has approximately 85,000 employees in more than 150 countries working to discover, develop, manufacture and deliver quality, safe and effective prescription medicines to patients and animals

Overview of Wyeth

- Wyeth discovers, develops, manufactures, distributes and sells a diversified line of products in three primary businesses:
  - Wyeth Pharmaceuticals – key products include Effexor, Prevnar, Enbrel, Zosyn and Premarin
  - Wyeth Consumer Healthcare – key products include Advil, Robitussin, Centrum, Preparation H and Chapstick
  - Fort Dodge Animal Health – key areas include vaccines, pharmaceuticals, parasite control and growth implants

Pro Forma Therapeutic Revenue Diversification[1]



Source: Public filings, press release
[1] As per company investor relations presentation.

Novartis AG $5.0bn Inaugural 5 & 10yr Bond Offering

Case Study

Goldman Sachs Acted as One of Four Bookrunners

Transaction Details

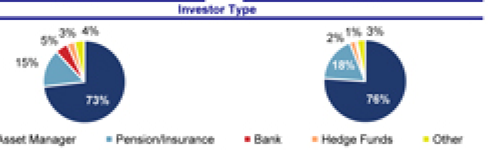
Issuer	Novartis Capital (5 Year), Novartis Securities Investment (10 Year)
Issue Rating	Aa2/AA- (Moody's/S&P)
Pricing Date	04th February 2009
Settlement Date	10th February 2009
Bookrunners	Goldman Sachs & Co, Banc of America Securities, Citigroup, JPMorgan
Form of Instrument	Inaugural USD bond offering
Use of Proceeds	General corporate purposes (possible purchase of remaining Nestle stake in Alcon)

	5 Year	10 Year
Deal Size	$2,000m	$3,000m
Maturity	2nd February 2014	2nd February 2019
Coupon	4.125%	5.125%
Re-offer Yield	4.148%	5.148%
Re-offer Spread	T+225	T+225
Re-offer Price	99.897	99.822

Investor Breakdown – by Allocated Number of Accounts

5 Year | 10 Year

Investor Type



Geography

Transaction Overview and Highlights

Successful US transaction debut for issuer

- Transaction marks the inaugural dollar deal for Novartis and has been documented under the Company's newly established US debt shelf
- Order book was oversubscribed, with a slightly bigger investor focus on the 10yr vs. the 5yr maturity
- This strong and very diversified investor demand allowed the Company to price the transaction at 225bps across both maturities, i.e. the bottom end of the initial price guidance of 225-237.5bps
- This pricing was in line with where Novartis – after swap – could have issued in other benchmark currencies
- The bond performed strongly in the secondary market, establishing attractive pricing reference points for future Novartis transactions

Company Overview

- Novartis (Aa2/AA-) is a world leader in pharmaceutical and consumer healthcare products with a market cap of ~CHF129bn/USD112bn (as of 12-Feb-2009)
- Novartis is organised in four divisions
  - The Pharmaceuticals Division develops and markets patent-protected prescription drugs for important health needs in major therapeutical areas (cardiovascular and metabolism, oncology and hematology, neuroscience, respiratory, immunology and infectious diseases)
  - Vaccines and Diagnostics provides products to fight more than 20 vaccine-preventable viral and bacterial diseases as well as sophisticated blood-testing equipment
  - Sandoz is the generic pharmaceuticals division of Novartis
  - Consumer Health divisions focuses on three business units (over-the-counter, animal health, CIBA Vision)
- In April 2008 Novartis agreed to acquire 24.85% stake in Alcon from Nestle for $10.59 billion. Under the terms of the transaction from January 2010 until July 2011, Novartis will have a call option to acquire Nestlé's remaining majority shareholding in Alcon, currently worth approx. $14bn

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New Investment Grade Bridge Market Dynamics

Issues for Consideration

- Given substantial market dislocation in the bank market, bridge terms for Investment Grade companies continue to evolve over recent months
- In light of bank concerns related to holding large funded bridges on balance sheet for extended periods of time, provisions almost never seen in Investment Grade bridges have become common in "today's market." Items include:
  - Funding fees to incent borrowers to pre-fund acquisitions in the capital markets
  - Duration fees and coupon step-ups to incent borrowers to reduce commitments post funding
  - Flex provisions to ensure a successful syndication
    - Interest rate and structural flex
- Coupon of bridge loan representative of actual credit risk, not necessarily existing credit lines

Bridge Facility Fee Components

Type	Stage Payable
Commitment Fee	■ At time of commitment
Closing / Funding Fee	■ Incents borrowers to pre-fund acquisitions in the capital markets ■ At closing and generally on amount funded at Close
Duration Fees	■ Paid at the end of each 3 month interval ■ Can be considered as part of the overall bridge compensation to lenders ■ Incents borrowers to reduce commitments post funding

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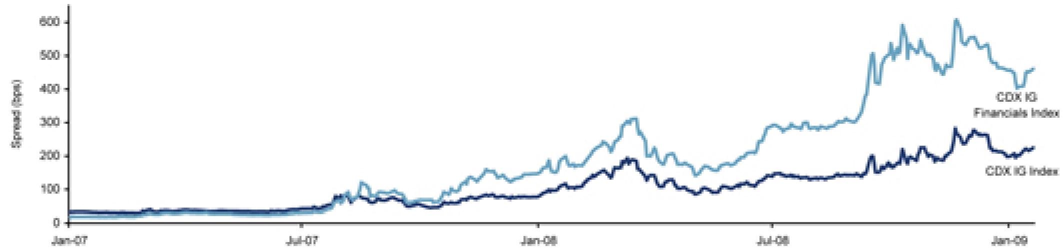
Reduce Reliance on the Bank Market

Investment Grade Bank Market Remains Pressured

Despite Some Relief in Banks' Cost of Funds, Balance Sheets Remain Dear

As Banks' Funding Costs Have Risen, Bank Facility Pricing and Terms Have Evolved



Where We Were	Where We Are	Where Are We Going?
■ **Description** — Bank balance sheets had massive amounts of liquidity with limited balance sheet constraints — Investment grade lending commoditized — Very aggressive lending competition	■ **Description** — Bank balance sheets very constrained — Investment grade lending very challenging and in some cases, not available — Decreased number of market participants coupled with very limited liquidity	■ **Description** — Bank balance sheets begin to repair themselves — Government equity investments help strengthen Tier 1 capital and ultimately will be taken out entirely — Liquidity comes back to IG lending
■ **Pricing / Fees** — Below market drawn spreads which did not reflect borrowers' true cost of capital — Limited to no upfront fees — Below lenders' own cost of capital	■ **Pricing / Fees** — Market based drawn spreads including CDS/CDX based pricing, known as Relative Value Pricing (RVP) — Upfront fees which reflect cost of capital allocation — Pricing above lenders' cost of capital and emergence of lender-based drawn spreads	■ **Pricing / Fees** — Continuation of use of RVP — Upfront fees which reflect cost of capital allocation — Continued use of lender based drawn spreads to account for high cost of obtaining capital
■ **Tenor:** 3-5 years	■ **Tenor:** 364-day	■ **Tenor:** 364-day-3 years
■ **Terms:** Unsecured with single covenant	■ **Terms:** Unsecured with one or two covenants; case-specific security	■ **Terms:** Unsecured with one or two covenants; case-specific security

Source: GS Internal

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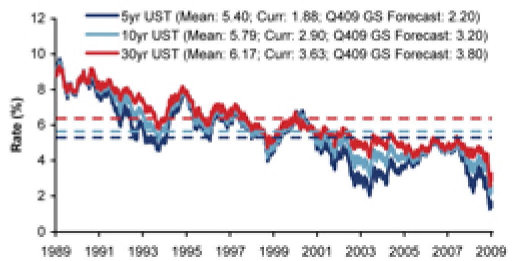
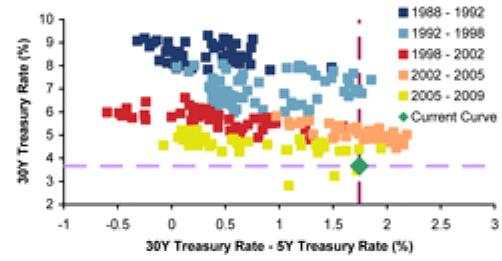
Rate and Spread Environment in Context

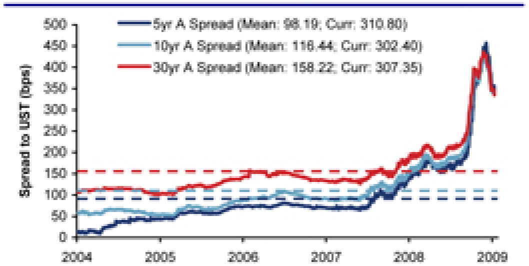
Flight to Quality May Limit Rise in Rates



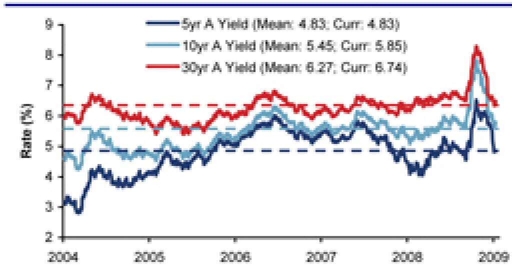
The Yield Curve Should Remain Moderately Steep



Despite Recent Improvement, Spreads Remain High…



But All-In Yields are Attractive for Corporate Issuers



Source: GS Internal. Levels as of 29-Jan-2009.

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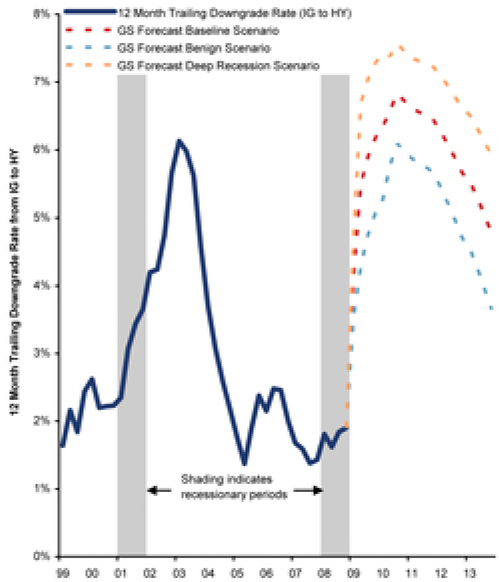
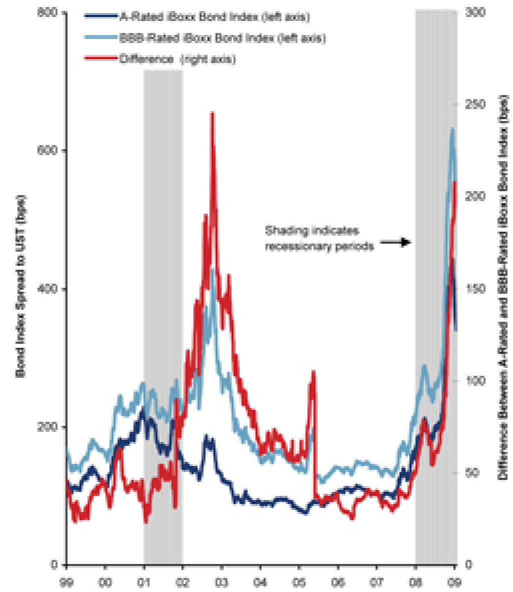
Flight to Quality – Even Within IG – To Continue

Ratings Downgrades Expected to Rise, Pressuring Lower-Rated Spreads

Credit Downgrades Likely to Spike As In Past Recessionary Periods…



With Credit Spreads Further Differentiating the Strong from the Weak



Source: GS Research

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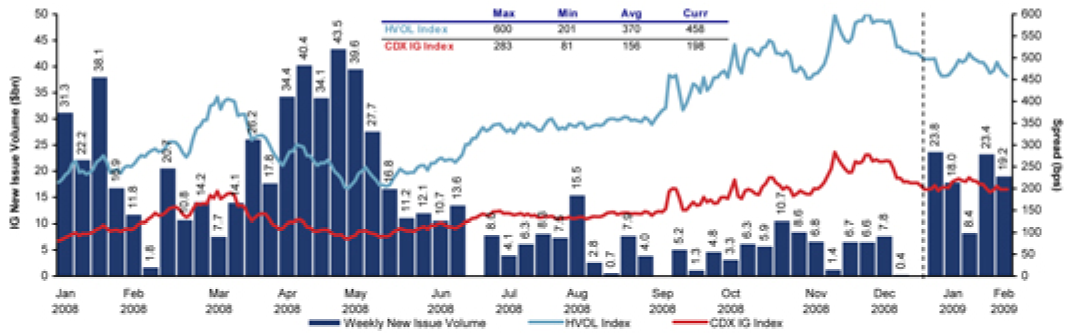
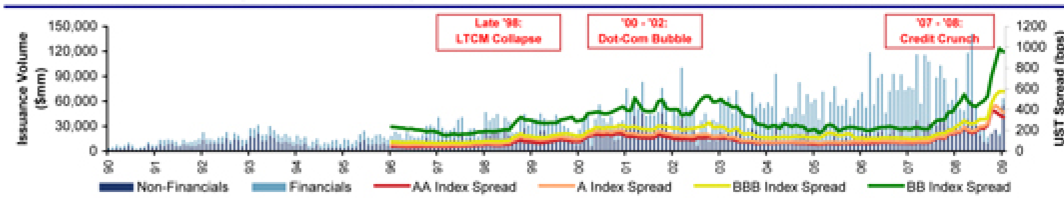
Investment Grade Bond Market Off to a Strong Start in 2009

2009 Non-Government-Guaranteed Investment Grade Issuance Exceeds $80 billion



Credit Crunch in Perspective : Credit Spreads and Investment Grade New Issue Volume, 1990 to Present



Source: GS Internal. Updated through 30-Jan-2009

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B. Transaction Analysis

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Transaction Analysis Assumptions

- Projections based on Wall Street research dated 09-Feb-2009 for James, 16-Jan-2009 for Francis and Francis management projections as of 16-Nov-2008
- Achieves pre-tax synergies of $800 million in 2009E - 2011E
  - Excludes potential costs to achieve synergies
- Assumes cash consideration consists of $10 billion in existing cash
  - Size of transaction and debt ratings are significant considerations in evaluating cost and capacity for debt
- 3.0% opportunity cost of cash
- CHF10 billion minimum cash balance for pro forma company and James projected dividend payments per Wall Street research
  - Excess free cash flow used to service debt
- Assumes no amortization of excess purchase price due to ability of James to account for it on the balance sheet directly as a reduction in equity (Francis already consolidated)
- Pro forma for transaction closing 31-Dec-2008

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Leverage Analysis for James

Pro Forma for the Acquisition of Francis

(Figures in millions, except per share data)

Currency Exchange Rate (CHF / $)	1.16

Price Per Share ($)	**$86.50**	**$89.00**	**$95.00**	**$100.00**	**$105.00**	**$110.00**	**$115.00**	**$120.00**	**$125.00**
Price Per Share (CHF)	**CHF 100.56**	**CHF 103.47**	**CHF 110.44**	**CHF 116.26**	**CHF 122.07**	**CHF 127.88**	**CHF 133.69**	**CHF 139.51**	**CHF 145.32**
Minority Shares (mm)	**486**	**488**	**491**	**494**	**496**	**498**	**500**	**502**	**503**
Equity Consideration - Diluted	**$42,044**	**$43,397**	**$46,648**	**$49,360**	**$52,072**	**$54,785**	**$57,497**	**$60,210**	**$62,923**
	CHF 48,879	**CHF 50,451**	**CHF 54,231**	**CHF 57,384**	**CHF 60,537**	**CHF 63,691**	**CHF 66,844**	**CHF 69,998**	**CHF 73,151**
Existing Cash Used	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
	CHF 11,626	CHF 11,626	CHF 11,626	CHF 11,626	CHF 11,626	CHF 11,626	CHF 11,626	CHF 11,626	CHF 11,626
Incremental Financing Need	$32,544	$33,897	$37,148	$39,860	$42,572	$45,285	$47,997	$50,710	$53,423
	CHF 37,834	CHF 39,407	CHF 43,187	CHF 46,339	CHF 49,493	CHF 52,646	CHF 55,800	CHF 58,953	CHF 62,107
Estimated Average Financing Cost	3.0%	3.1%	3.3%	3.8%	3.9%	4.0%	6.5%	6.5%	6.5%
2008A Pro Forma Credit Profile (CHF mn)									
EBITDA	CHF 16,645	CHF 16,645	CHF 16,645	CHF 16,645	CHF 16,645	CHF 16,645	CHF 16,645	CHF 16,645	CHF 16,645
CapEx	3,139	3,139	3,139	3,139	3,139	3,139	3,139	3,139	3,139
Total Debt	41,923	43,496	47,276	50,428	53,582	56,735	59,889	63,042	66,196
Total Debt / EBITDA	2.5 x	2.6 x	2.8 x	3.0 x	3.2 x	3.4 x	3.6 x	3.8 x	4.0 x
Total Debt / (EBITDA - CapEx)	3.1	3.2	3.5	3.7	4.0	4.2	4.4	4.7	4.9
Net Debt	30,252	31,824	35,604	38,757	41,910	45,064	48,217	51,371	54,524
Net Debt / EBITDA	1.8 x	1.9 x	2.1 x	2.3 x	2.5 x	2.7 x	2.9 x	3.1 x	3.3 x
Net Debt / (EBITDA - CapEx)	2.2	2.4	2.6	2.9	3.1	3.3	3.6	3.8	4.0
Total Cash	11,672	11,672	11,672	11,672	11,672	11,672	11,672	11,672	11,672
2009E Pro Forma Credit Profile (CHF mn)									
EBITDA	CHF 19,304	CHF 19,304	CHF 19,304	CHF 19,304	CHF 19,304	CHF 19,304	CHF 19,304	CHF 19,304	CHF 19,304
CapEx	2,898	2,898	2,898	2,898	2,898	2,898	2,898	2,898	2,898
Total Debt	33,364	34,937	38,717	41,869	45,023	48,176	51,330	54,484	57,637
Total Debt / EBITDA	1.7 x	1.8 x	2.0 x	2.2 x	2.3 x	2.5 x	2.7 x	2.8 x	3.0 x
Total Debt / (EBITDA - CapEx)	2.0	2.1	2.4	2.6	2.7	2.9	3.1	3.3	3.5
Net Debt	23,364	24,937	28,717	31,869	35,023	38,176	41,330	44,484	47,637
Net Debt / EBITDA	1.2 x	1.3 x	1.5 x	1.7 x	1.8 x	2.0 x	2.1 x	2.3 x	2.5 x
Net Debt / (EBITDA - CapEx)	1.4	1.5	1.8	1.9	2.1	2.3	2.5	2.7	2.9
Total Cash	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Preliminary Long-term Credit Rating	AA- / A1	AA- / A1	AA-,A+ / A1,A2	A+ / A2	A / A3 upside potential		A / A3	A- / Baa1	A- / Baa1
Potential Notch Downgrade [1]	0 / 3	0 / 3	1 / 4	1 / 4	2 / 5		2 / 5	3 / 6	3 / 6
Preliminary Short-term Credit Rating	A-1+ / P-1	A-1+ / P-1	A-1+,A-1 / P-1	A-1 / P-1	<---- A-1 stable / P-1 at risk ---->		A-2 / P-2	A-2 / P-2	A-2 / P-2
Estimated Bank Loan Capacity [2]	$2,456	$1,103	-	-	-	-	-	-	-

Source: Francis management projections
Note: Assumes debt paydown beginning in 2009 with a minimum CHF10,000 mn cash balance
[1] *Assumes current Moody's long-term rating of Aa1, which is under review for possible downgrade.*

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Comparison of Illustrative Financing Sources

100% Cash at $86.50 Per Share

(Figures in millions)

Current

- Near-term availability of bridge commitment to fund an all-cash deal is difficult and expensive given continued deterioration of credit markets (Pfizer)

Sources

	USD	CHF
Stock Consideration	$0	CHF 0
Francis Cash Used	$9,545	CHF 11,097
James Existing Cash Used	455	529
Total Cash Used	$10,000	CHF 11,626
Debt Issuance:		
Commercial Paper @ 1.64%	$20,000	CHF 23,251
Bonds ($) @ 5.10%	12,544	14,583
Bonds (EUR) @ 5.80%	0	0
Term Loan @ 4.39%	0	0
Total Debt Issuance	$32,544	CHF 37,834
Total Sources	**$42,544**	**CHF 49,460**
Average Financing Cost @ $86.50 Per Share		3.0%
Average Financing Cost @ $110.00 Per Share		4.0%

As of 12-Aug-2008

- Banks willing and able to provide large bridge commitments (InBev, BHP)

Sources

	USD	CHF
Stock Consideration	$0	CHF 0
Francis Cash Used	$6,337	CHF 6,859
James Existing Cash Used	3,663	3,964
Total Cash Used	$10,000	CHF 10,823
Debt Issuance:		
Commercial Paper @ 2.54%	$15,000	CHF 16,235
Bonds ($) @ 6.00%	10,000	10,823
Bonds (EUR) @ 6.25%	5,000	5,412
Term Loan @ 4.29%	2,960	3,204
Total Debt Issuance	$32,960	CHF 35,673
Total Sources	**$42,960**	**CHF 46,496**
Average Financing Cost @ $86.50 Per Share		4.3%
Average Financing Cost @ $110.00 Per Share		5.0%

Note: Assumes $86.50 per share acquisition price. Assumes exchange rate today of 1.16 CHF / 1 USD and exchange rate on 12-Aug of 1.08 CHF / 1 USD

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Illustrative Sources and Uses

$86.50 Per Share Acquisition Price

(Figures in millions)

Sources	USD	CHF
Stock Consideration	$0	CHF 0
Francis Cash Used	$9,545	CHF 11,097
James Existing Cash Used	455	529
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Term Loan @ 4.39%	0	0
Total Debt Issuance	$32,544	CHF 37,834
Total Sources	**$42,544**	**CHF 49,460**

Uses	USD	CHF
Transaction Size at $86.50 Per Share	$42,044	CHF 48,879
Financing / Transaction Fees	$500	CHF 581
Total Uses	**$42,544**	**CHF 49,460**

Note: Assumes $86.50 per share acquisition price

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Illustrative Accretion / (Dilution) Analysis

100% Cash

(Figures in millions, except per share data)

Currency Exchange Rate (CHF / $)	1.16

	Standalone									
Price Per Share ($)		**$86.50**	**$89.00**	**$95.00**	**$100.00**	**$105.00**	**$110.00**	**$115.00**	**$120.00**	**$125.00**
Price Per Share (CHF)		**CHF 100.56**	**CHF 103.47**	**CHF 110.44**	**CHF 116.26**	**CHF 122.07**	**CHF 127.88**	**CHF 133.69**	**CHF 139.51**	**CHF 145.32**
Minority Shares (mm)		**486**	**488**	**491**	**494**	**496**	**498**	**500**	**502**	**503**
Equity Consideration - Diluted		**$42,044**	**$43,397**	**$46,648**	**$49,360**	**$52,072**	**$54,785**	**$57,497**	**$60,210**	**$62,923**
		CHF 48,879	**CHF 50,451**	**CHF 54,231**	**CHF 57,384**	**CHF 60,537**	**CHF 63,691**	**CHF 66,844**	**CHF 69,998**	**CHF 73,151**
Existing Cash Used		$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
		CHF 11,626	CHF 11,626	CHF 11,626	CHF 11,626	CHF 11,626	CHF 11,626	CHF 11,626	CHF 11,626	CHF 11,626
Incremental Financing Need		$32,544	$33,897	$37,148	$39,860	$42,572	$45,285	$47,997	$50,710	$53,423
		CHF 37,834	CHF 39,407	CHF 43,187	CHF 46,339	CHF 49,493	CHF 52,646	CHF 55,800	CHF 58,953	CHF 62,107
Estimated Average Financing Cost		3.0%	3.1%	3.3%	3.8%	3.9%	4.0%	6.5%	6.5%	6.5%
% Accretion / (Dilution) to James										
2009E		10.8%	9.7%	8.1%	5.8%	4.4%	3.3%	(5.8)%	(7.2)%	(8.7)%
2010E		5.3%	4.4%	3.0%	0.9%	(0.3)%	(1.2)%	(7.6)%	(9.0)%	(10.3)%
2011E		7.4%	6.6%	5.3%	3.5%	2.4%	1.6%	(2.3)%	(3.6)%	(4.8)%
Incremental Pre-tax Synergies to Breakeven										
2009E		NM	NM	NM	NM	NM	NM	CHF 805	CHF 1,006	CHF 1,208
2010E		NM	NM	NM	NM	52	183	1,161	1,362	1,564
2011E		NM	NM	NM	NM	NM	NM	393	595	796
Pro Forma EPS Growth	Standalone									
2008E - 2012E	11.5%	14.6%	14.5%	14.2%	13.8%	13.5%	13.3%	12.7%	12.4%	12.1%
Pro Forma P/E to Breakeven										
2009E	12.1x	10.9x	11.0x	11.2x	11.5x	11.6x	11.7x	12.9x	13.1x	13.3x
2010E	11.1x	10.6x	10.7x	10.8x	11.0x	11.2x	11.3x	12.0x	12.2x	12.4x
Implied Pro Forma PEG										
2009E	1.1x	0.7x	0.8x	0.8x	0.8x	0.9x	0.9x	1.0x	1.1x	1.1x
2010E	1.0x	0.7x	0.7x	0.8x	0.8x	0.8x	0.8x	1.0x	1.0x	1.0x

Note: Assumes cash consideration financed with $10 billion in existing cash and the remainder in new debt. Assumes $500mm in transaction fees paid with cash. Assumes 3.0% opportunity cost of cash. Assumes pre-tax synergies of $800 million in 2009E - 2011E. Standalone EPS growth per Wall Street research. Pro forma for 01-Jan-2009 closing

Appendix A: Supplementary Materials

Goldman Sachs

Analysis at Various Prices

($ in millions, except per share data)

Price Per Share		**$86.50**	**$89.00**	**$95.00**	**$100.00**	**$105.00**	**$110.00**	**$115.00**	**$120.00**	**$125.00**
Total Equity Consideration - Diluted		$92,836	$95,657	$102,431	$108,079	$113,727	$119,376	$125,024	$130,673	$136,321
Net Debt		(7,681)	(7,681)	(7,681)	(7,681)	(7,681)	(7,681)	(7,681)	(7,681)	(7,681)
Enterprise Value		$85,155	$87,975	$94,749	$100,397	$106,046	$111,694	$117,343	$122,991	$128,640
Transaction Size		$42,044	$43,397	$46,648	$49,360	$52,072	$54,785	$57,497	$60,210	$62,923
Premium / (Discount) to Stock Price										
Current (as of 10-Feb-2009)	$82.69	4.6 %	7.6 %	14.9 %	20.9 %	27.0 %	33.0 %	39.1 %	45.1 %	51.2 %
18-Jul-2008 Close Price	81.82	5.7	8.8	16.1	22.2	28.3	34.4	40.6	46.7	52.8
1 Day Prior	81.16	6.6	9.7	17.1	23.2	29.4	35.5	41.7	47.9	54.0
30-Day Average	75.96	13.9	17.2	25.1	31.7	38.2	44.8	51.4	58.0	64.6
6-Month Average	74.05	16.8	20.2	28.3	35.0	41.8	48.5	55.3	62.0	68.8
Revenue										
2008E	$13,418	6.3 x	6.6 x	7.1 x	7.5 x	7.9 x	8.3 x	8.7 x	9.2 x	9.6 x
2009E	14,118	6.0	6.2	6.7	7.1	7.5	7.9	8.3	8.7	9.1
2010E	15,099	5.6	5.8	6.3	6.6	7.0	7.4	7.8	8.1	8.5
2011E	16,648	5.1	5.3	5.7	6.0	6.4	6.7	7.0	7.4	7.7
EBITDA										
2008E	$6,223	13.7 x	14.1 x	15.2 x	16.1 x	17.0 x	17.9 x	18.9 x	19.8 x	20.7 x
2009E	6,676	12.8	13.2	14.2	15.0	15.9	16.7	17.6	18.4	19.3
2010E	7,144	11.9	12.3	13.3	14.1	14.8	15.6	16.4	17.2	18.0
2011E	8,021	10.6	11.0	11.8	12.5	13.2	13.9	14.6	15.3	16.0
EPS										
2008E	$3.42	25.3 x	26.0 x	27.8 x	29.3 x	30.7 x	32.2 x	33.7 x	35.1 x	36.6 x
2009E	3.85	22.5	23.1	24.7	26.0	27.3	28.6	29.9	31.2	32.5
2010E	4.43	19.5	20.1	21.4	22.6	23.7	24.8	26.0	27.1	28.2
2011E	5.56	15.6	16.0	17.1	18.0	18.9	19.8	20.7	21.6	22.5

Source: Francis management projections and public company filings

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Weighted Average Cost of Capital Analysis

As of 10-Feb-2009

Selected Comparables

Company	Market Equity	Predicted Equity Beta (1)	Adjusted Asset Beta
Francis	$88,994	0.71	0.71
Amgen	60,108	0.66	0.66
Biogen Idec	15,121	0.78	0.78
Celgene	24,046	0.91	0.91
Genzyme	19,258	0.67	0.67
Gilead	45,316	0.95	0.95
Mean		0.80	0.79
Median		0.78	0.78

WACC Calculation

Risk Free Rate (2)	3.7%
Median Comparables Asset Beta	0.78
Francis Total Debt/Market Equity (3)	3.2%
Assumed Tax Rate (4)	36%
Predicted Equity Beta	0.78
Equity Risk Premium (5)	5.1%
Cost of Equity	7.7%
Cost of Debt	5.0%
After-Tax Cost of Debt	3.2%
WACC	7.6%

WACC Sensitivity Table

Equity Risk Premium	Risk Free Rate (%) 3.2%	3.7%	4.2%	4.7%	5.2%
4.1%	6.3%	6.8%	7.3%	7.8%	8.3%
5.1%	7.1%	7.6%	8.1%	8.5%	9.0%
6.1%	7.8%	8.3%	8.8%	9.3%	9.8%
7.1%	8.6%	9.1%	9.6%	10.1%	10.5%

WACC Sensitivity Table

Equity Risk Premium	Equity Beta 0.73	0.78	0.83	0.88	0.93
4.1%	6.6%	6.8%	7.0%	7.2%	7.4%
5.1%	7.3%	7.6%	7.8%	8.1%	8.3%
6.1%	8.0%	8.3%	8.6%	8.9%	9.2%
7.1%	8.7%	9.1%	9.4%	9.8%	10.1%

Source: Company filings, Ibbotson and Bloomberg
(1) Bloomberg 5 year weekly predicted betas.
(2) Yield on 30-year 5 1/4% U.S. Treasury due 2028 as of 10-Feb-2009.
(3) Francis total debt/market equity as of 31-Dec-2008, fully diluted market cap as of 10-Feb-2009.
(4) Assumed tax rate per Francis management.
(5) U.S. Equity Risk Premium as of year-end 2007 per Ibbotson data.

Exhibit (c)(7)

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Discussion Materials for Francis Special Committee

Goldman, Sachs & Co.
22-Feb-2009

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Goldman Sachs

Table of Contents

I. Summary Overview

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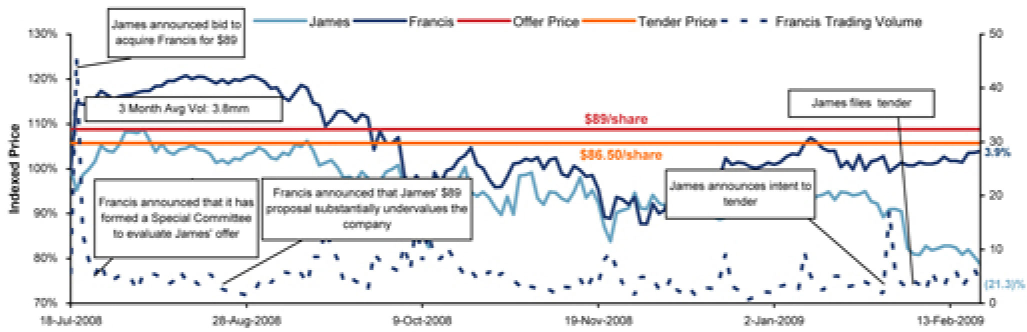
Project Nobel Market Tracker

		Change from 1 Day Prior		Change Since				
	20-Feb-2009			18-Jul-2008	1 Week	1 Month	3 Month	2-Jan-2008
Francis	$85.02	$0.26	0.3 %	3.9 %	2.1 %	3.6 %	16.9 %	26.1 %
BTK	659.27	(10.52)	(1.6)	(17.1)	(6.4)	6.4	21.2	(16.3)
S&P 500	770.05	(8.89)	(1.1)	(38.9)	(6.9)	(4.4)	(3.7)	(46.8)
AMEX Pharmaceutical Index	250.01	(3.92)	(1.5)	(18.4)	(4.1)	(4.1)	3.2	(25.7)
James	CHF141.40	(CHF3.00)	(2.1)%	(21.3)%	(4.9)%	(17.0)%	(6.0)%	(26.4)%
Swiss Exchange	4,851.21	(139.31)	(2.8)	(28.9)	(5.4)	(8.8)	(5.7)	(41.7)
FTSE 350 Pharma & Biotech	7,566.45	(181.62)	(2.3)	(0.1)	(5.7)	(12.0)	7.5	(3.7)
James (ADR)	$30.37	($0.28)	(0.9)	(31.1)	(4.8)	(17.4)	(3.0)	(29.7)
Currency Exchange Rate (CHF / $)	1.1552	(0.0185)	(1.57)%	12.94 %	(0.33)%	0.78 %	0.17 %	3.18 %



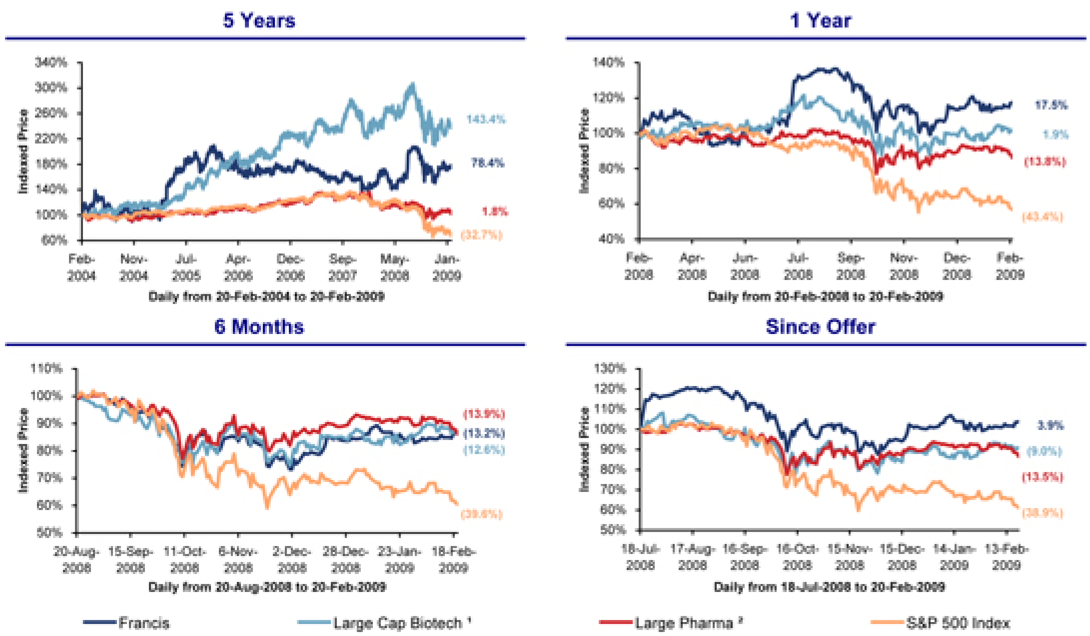
Source: FactSet as of 20-Feb-2009

II. Public Market Perspectives

Goldman Sachs

Relative Stock Price Performance History

Francis vs Large Cap Biotech, Large Pharma and S&P 500 Index



Source: FactSet as of 20-Feb-2009
[1] Large Cap Biotech Composite includes: Amgen, Biogen Idec, Celgene, Genzyme and Gilead.
[2] Large Pharma Composite includes: Abbott, AstraZeneca, Bayer, Bristol-Myers Squibb, Eli Lilly, GSK, JNJ, Merck, Novartis, Novo Nordisk, Pfizer, Sanofi-Aventis, Schering-Plough and Wyeth.

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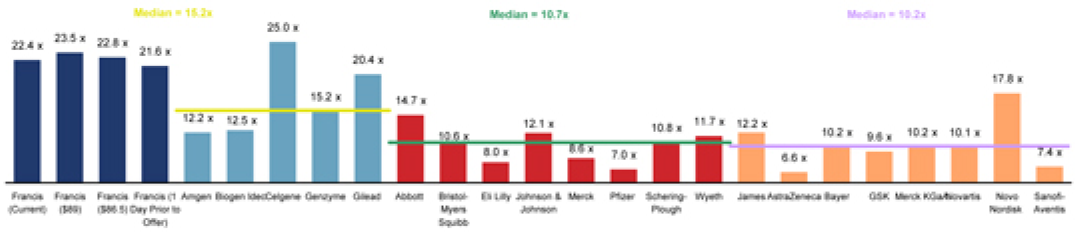
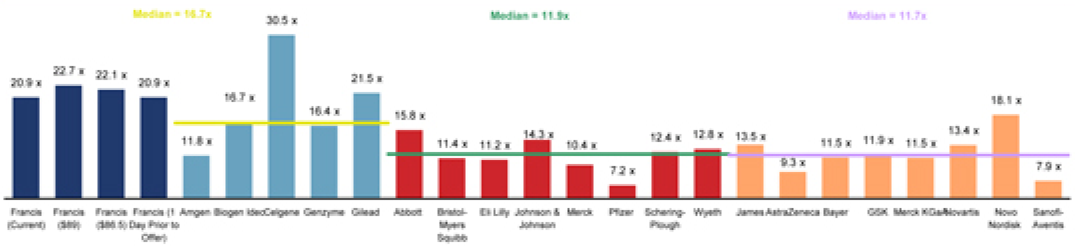
Comparison of Public Trading Multiples

Francis vs. Large Cap Biotech and Large Pharma

2009 P/E (Current)



2009 P/E (As of 18-Jul-2008)



■ Large Cap Biotech ■ U.S. Large Pharma ■ Europe Large Pharma

Source: IBES median estimates as of 20-Feb-2009 and 18-Jul-2008

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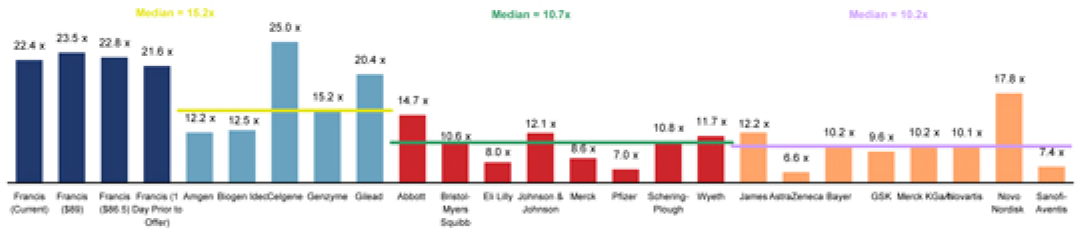
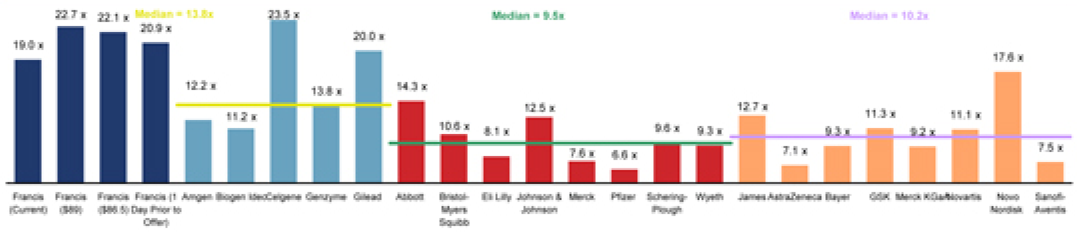
Comparison of Public Trading Multiples

Francis vs. Large Cap Biotech and Large Pharma

2009 P/E (Current)



2009 P/E (As of 10-Dec-2008 Meeting)



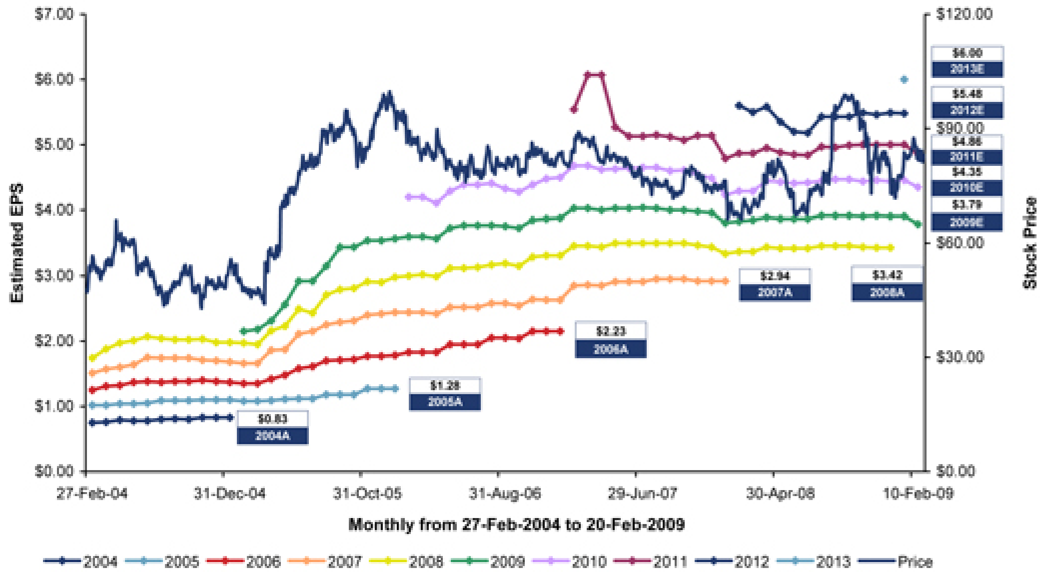
■ Large Cap Biotech ■ U.S. Large Pharma ■ Europe Large Pharma

Source: IBES median estimates as of 20-Feb-2009 and 05-Dec-2008

Evolution of Analyst Estimates

Francis

Last Five Years



Source: FactSet and IBES median estimates as of 20-Feb-2009
Note: IBES median estimates exclude stock based compensation expense. Closing price of $85.02 as of 20-Feb-2009.

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Francis Research Analyst Price Targets

($ Per Share)

Date Updated	Bank	Price Target Before Announcement	As of 10-Dec-2008[1] Presentation	Current Price Target	Deal Price Speculation
12-Feb-2009	Morgan Stanley	94	105	102	65-135
11-Feb-2009	Citi	N/A	96	96	98 - 68
10-Feb-2009	Baird	87	100	100	100
10-Feb-2009	Barclays Capital	75	105	97	64-110
10-Feb-2009	BMO Capital Markets	82	104	85	70-100
10-Feb-2009	Natixis	76	85	85	67-104
09-Feb-2009	Deutsche Bank	N/A	97	97	N/A
09-Feb-2009	JP Morgan	100	105	105	105
09-Feb-2009	UBS	92	N/A	100	100
03-Feb-2009	Bernstein Research	86	97	94	89-105
16-Jan-2009	Jefferies & Company	78	100	100	100
16-Jan-2009	Lazard	90	98	98	98
16-Jan-2009	Oppenheimer	88	105	105	102-110
16-Jan-2009	Piper Jaffray	N/A	N/A	96	N/A
16-Jan-2009	RBC Capital	84	100	100	95-100
16-Jan-2009	Rodman & Renshaw	90	90	90	95-124
	High	$100	$105	$105	$135
	Mean	86	99	97	97[2]
	Median	87	100	98	99[2]
	Low	75	85	85	64

Source: Wall Street research
[1] *Price targets are latest as of 10-Dec-2008.*
[2] *Mean and median based on the midpoint of the deal price speculation range.*

Goldman Sachs

Francis Top Institutional Shareholders Composition

As of 31-Jan-2009		% O/S
James Holdings	587,189,380	55.76%
Non-James Holding	465,784,657	44.24%
Shares Outstanding	1,052,974,037	

As of 09-Feb-2009	% O/S of Minority
Hedge Fund / Arb	10.3%
Non-Hedge Fund / Arb	89.7%

Top Shareholders (Sorted by "Current Position")

Rank	Institution Name	Position 18-Jul-2008 (Based on 30-Jun-2008 13F Filings)	Position 30-Jan-2009	Current Position 06-Feb-2009	Change vs. 30-Jan-2009	Change vs. 18-Jul-2008	Avg. Cost	Current %O/S of Total	Current %O/S of Minority
1	Fidelity Mgmt. & Research	41,806,660	52,365,067	52,365,067	0	10,558,407	$66.05	4.97%	11.24%
2	Marsico Capital	27,214,792	25,858,981	25,858,981	0	(1,355,811)	43.59	2.46	5.55
3	AllianceBerstein (AXA)	17,112,145	21,283,000	21,083,000	(200,000)	3,970,855	75.29	2.00	4.53
4	T. Rowe Price	17,256,456	18,332,149	18,632,149	300,000	1,375,693	76.93	1.77	4.00
5	Barclays Global	15,306,210	14,129,037	14,129,037	0	(1,177,173)	54.51	1.34	3.03
6	Capital Guardian Trust	19,376,837	12,474,828	12,174,828	(300,000)	(7,202,009)	78.21	1.16	2.61
7	Capital Research & Mgmt.	15,350,000	10,716,935	10,716,935	0	(4,633,065)	65.05	1.02	2.30
8	Jennison Associates	10,779,817	12,179,817	10,179,817	(2,000,000)	(600,000)	68.79	0.97	2.19
9	Vanguard Group	9,056,406	9,808,157	9,808,157	0	751,751	59.28	0.93	2.11
10	State Street Global Advisors	6,597,198	7,196,948	7,196,948	0	599,750	49.72	0.68	1.55
11	ClearBridge Advisors	9,712,089	6,120,773	6,120,773	0	(3,591,316)	33.14	0.58	1.31
12	Delaware Inv. Advisors	9,135,610	5,714,850	5,714,850	0	(3,420,760)	78.18	0.54	1.23
13	TIAA-CREF Asset Mgmt.	7,281,457	5,687,388	5,687,388	0	(1,594,069)	65.24	0.54	1.22
14	TCW Asset Mgmt.	4,703,902	4,001,837	4,001,837	0	(702,065)	39.65	0.38	0.86
15	Waddell & Reed	2,382,370	7,211,504	3,911,504	(3,300,000)	1,529,134	85.73	0.37	0.84
16	GE Asset Management	3,788,047	3,501,946	3,501,946	0	(286,101)	76.95	0.33	0.75
17	Franklin Advisors	2,965,748	3,458,615	3,458,615	0	492,867	59.21	0.33	0.74
18	Paulson & Co.	0	3,424,400	3,424,400	0	3,424,400	88.93	0.33	0.74
19	PRIMECAP Management	2,949,486	3,333,186	3,333,186	0	383,700	73.73	0.32	0.72
20	Orbimed Advisors	2,716,480	3,278,990	3,278,990	0	562,510	53.54	0.31	0.70
21	RCM Capital Mgmt.	3,060,596	3,260,596	3,260,596	0	200,000	68.72	0.31	0.70
22	Walter Scott & Partners	4,070,591	3,214,865	3,214,865	0	(855,726)	69.76	0.31	0.69
23	Wellington Mgmt.	15,892,746	3,036,952	3,036,952	0	(12,855,794)	67.45	0.29	0.65
24	INTECH Investment Mgmt	432,550	2,316,880	3,016,880	700,000	2,584,330	81.05	0.29	0.65
25	Northern Trust	2,656,547	2,938,510	2,938,510	0	281,963	55.83	0.28	0.63
	Top 25 Institutional Shareholders	251,604,740	244,846,211	240,046,211	(4,800,000)	(11,558,529)	$65.38	22.80%	51.54%

Source: Bloom Partners
Note: Capital Research Global and Capital World Investors have been combined. Walter Scott & Partners is Scotland-based investment firm. As received by Francis on 18-Feb-2009

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III. Financial Analysis

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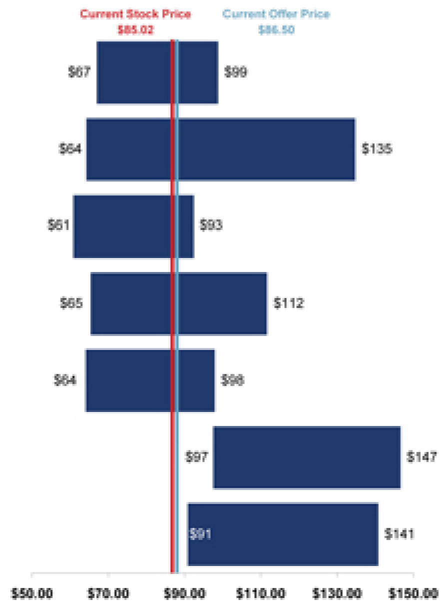
Financial Analysis Overview

Summary

($ Per Share)



Methodology	Equity Value Per Diluted Share	Comments
52-Week Trading Range	$67 – $99	■ 52-Week High: $99.05 ■ 52-Week Low: $66.80
Wall Street Equity Research Deal Price Speculation	$64 – $135	■ Wall Street High Target Price: $135.00 ■ Wall Street Low Target Price: $64.00
Comparable Companies (2009E P/E) – Management and IBES EPS Estimates	$61 – $93	■ Forward earnings multiple of 16 – 24x on 2009E EPS ■ Management base case 2009E EPS of $3.86 ■ IBES median 2009E EPS of $3.79
Present Value of Future Stock Price – P/E – Management Base Case	$65 – $112	■ Forward earnings multiple of 16 – 24x on EPS ■ 9.0% cost of equity ■ Management base case 2010E and 2011E EPS of $4.44 and $5.54
Present Value of Future Stock Price – P/E – IBES	$64 – $98	■ Forward earnings multiple of 16 – 24x on EPS ■ 9.0% cost of equity ■ IBES median 2010E and 2011E EPS of $4.35 and $4.86
Discounted Cash Flow – Management Base Case (2024)	$97 – $147	■ 2 – 4% perpetuity growth rate ■ 8 – 10% discount rate ■ Includes management estimates of 2015 opt-in value and ESO expense
Discounted Cash Flow – Management Base Case (2018)	$91 – $141	■ 2 – 4% perpetuity growth rate ■ 8 – 10% discount rate ■ Includes management estimates of 2015 opt-in value and ESO expense

Source: Francis management projections, Wall Street research and FactSet as of 20-Feb-2009

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A. Present Value of Future Stock Price Analysis

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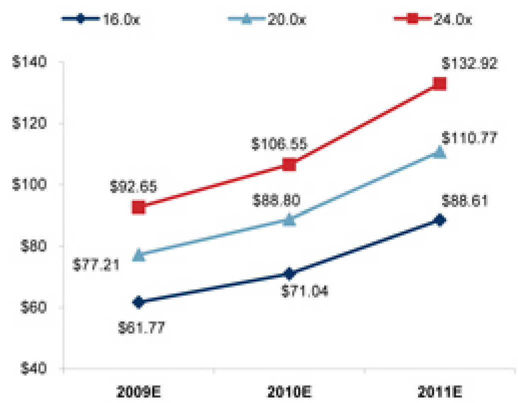
Present Value of Future Stock Price Analysis

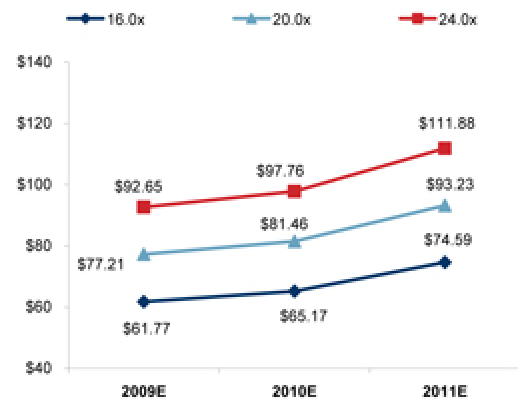
Management Case, Adjusted for Share Repurchases at One Year Forward at 20.0x P/E[1]

($ Per Share)

Future Stock Price (Undiscounted)



Present Value at 9.0% Cost of Equity



	2009E	2010E	2011E	2008 - 2011E CAGR[2]
EPS (Mgmt Forecast)[1]	$ 3.86	$ 4.44	$ 5.54	17.4%
IBES	$ 3.79	$ 4.35	$4.86	12.4%

Source: Francis management projections and IBES

[1] *Assumes cash of $3.6bn, $7.2bn and $5.5bn for 2009E-2011E, respectively, used to repurchase shares based on management projections. Price of share repurchase assumed to be 20.0x one year forward EPS per Management Case ($88.80, $110.77 and $133.43 for 2009E-2011E, respectively).*

[2] *2008 actual non-GAAP EPS of $3.42 per company public filing.*

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B. Discounted Cash Flow Analysis

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Key Assumptions of the 2008 Francis Financial Plan

Near-term

- Avastin adjuvant CRC trial (C-08)
  - Base case: 61% PTS in Q2 2009
- Price / reimbursement impacts
  - Base case assumes 3% annual price increases excluding Avastin and Lucentis
  - Avastin price increase contingent upon breast trial outcome
- 2015 James commercial agreement expiration
  - Assumes status quo type of terms
  - Management expects more favorable market terms than current (modeled separately)
- Tax rate assumptions
  - Base case assumes off-shore manufacturing tax benefits trend tax-rate to approximately 29%
- FOB Assumptions
  - Assumptions factor in number of entrants, physician acceptance and price discounts by product
- Unnamed product PTS and market opportunity
  - Assumes large and small molecule NMEs
  - Launch to filing PTS of 20% and 11%, respectively
  - Market opportunity of $1bn per NME indication (including two line extensions)

Long-term

Source: Francis management

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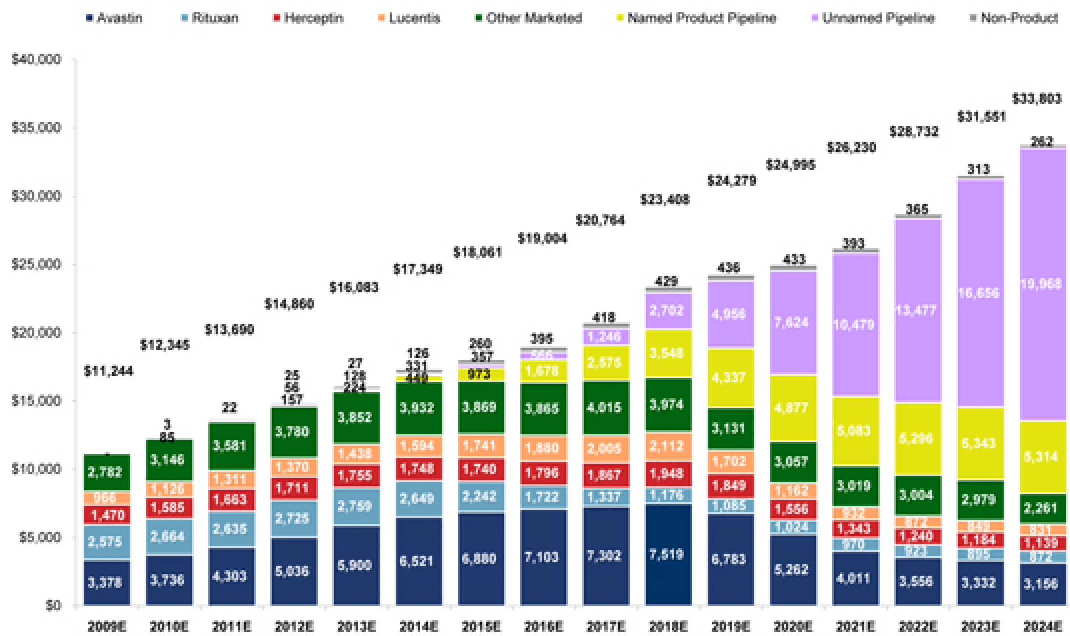
Product Sales Breakdown in the Francis 2008 Financial Plan

($ in millions)



Source: Francis 2008 Financial Plan as provided by management 16-Nov-2008

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Discounted Cash Flow Analysis of Francis
Key Assumptions

- Discounted Cash Flow analysis provides a framework to evaluate the ongoing performance of the business, but should be considered in a broader context of approaches (e.g., comparable transaction and trading multiples)
- Projections from 2009 to 2024 provided by Francis Management as of 16-Nov-2008 and provided to James and Greenhill
  - Projections by product were provided for Avastin, Rituxan, Herceptin, Lucentis as well as for the unnamed pipeline
  - A summary of the projections was publicly filed by James in its tender offer
- Assumes 1,052mm basic shares outstanding, as of 31-Oct-2008
  - Current options outstanding included in share count by the treasury stock method; options schedule provided by Francis management as of 14-Nov-2008
- Financial Sensitivity Analysis:
  - Discount rates evaluated using a range of 8.0% - 10.0% based on WACC analysis
  - Terminal value evaluated using perpetuity growth rate method using a range of 2.0% - 4.0%
    - Implied P/E terminal multiple also evaluated
- Assumes 31-Mar-2009 estimated net cash of $7.7 billion based on Company management cash flow projections
- Assumes capital expenditures and depreciation are offsetting in the terminal year
- Assumes an adjusted tax rate applied to operating income that trends from ~36% in 2009 to ~29% in 2024 terminal year, and ~36% in 2009 to ~30% in 2018, per management forecast
- Assumes cash flows discounted back to 31-Mar-2009 using mid-year convention
- Analysis includes impact of:
  - Future employee stock options expense: Assumes $328mm in after-tax ESO expense in 2009 with a 3.0% inflation rate and a range of 2.0% - 4.0% of growth in headcount into perpetuity
  - Changes to James / Francis marketing agreement post 2015 per management guidance on expected market rate terms: NPV of incremental 2015 opt-in value derived from discounting projected product royalties from large and small molecules in the unnamed pipeline beginning in 2016, with a range of 2.0% - 4.0% perpetuity growth rate

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Summary of 2008 Francis Financial Plan

2009E – 2015E

($ in millions, except per share data)

	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2009E - 2012E CAGR	2009E - 2015E CAGR
Revenues:									
Avastin Base Case	$3,378	$3,736	$4,303	$5,036	$5,900	$6,521	$6,880	14.2%	12.6%
Rituxan	2,575	2,664	2,635	2,725	2,759	2,649	2,242	1.9%	(2.3)%
Herceptin	1,470	1,585	1,663	1,711	1,755	1,748	1,740	5.2%	2.9%
Lucentis	966	1,126	1,311	1,370	1,438	1,594	1,741	12.3%	10.3%
Other Named Products and Pipelin	2,782	3,149	3,603	3,836	3,980	4,381	4,841	11.3%	9.7%
Unnamed Base Case	-	-	-	25	27	126	260		
Non-Product	73	85	175	157	224	331	357		
Product Sales	$11,244	$12,345	$13,690	$14,860	$16,083	$17,349	$18,061		
Royalties	2,501	2,465	2,617	2,681	2,723	2,809	2,551		
Contract & Other	373	289	342	497	563	660	805		
Total Revenue	**$14,118**	**$15,099**	**$16,648**	**$18,038**	**$19,370**	**$20,817**	**$21,418**	8.5%	7.2%
Cost and Expenses:									
Cost of Sales	$1,541	$1,794	$1,872	$1,760	$1,784	$1,947	$1,969		
R&D	2,824	3,020	3,330	3,608	3,874	4,163	4,284		
MSG&A	2,233	2,183	2,321	2,432	2,495	2,692	2,828		
Profit Sharing	1,352	1,544	1,664	1,688	1,581	1,654	1,645		
Total Cost & Exp.	**$7,950**	**$8,541**	**$9,187**	**$9,488**	**$9,734**	**$10,456**	**$10,726**		
Operating Income	**$6,169**	**$6,558**	**$7,461**	**$8,550**	**$9,636**	**$10,361**	**$10,692**	11.5%	9.6%
EBITDA	**$6,676**	**$7,144**	**$8,021**	**$9,125**	**$10,213**	**$10,946**	**$11,285**	11.0%	9.1%
Other Income, Net	147	240	382	499	496	531	647		
Earnings (Pre-Tax)	**$6,316**	**$6,799**	**$7,843**	**$9,049**	**$10,132**	**$10,892**	**$11,339**	12.7%	10.2%
Taxes	2,275	2,311	2,457	2,739	3,027	3,244	3,370		
Net Income	**$4,041**	**$4,487**	**$5,386**	**$6,310**	**$7,105**	**$7,648**	**$7,969**	16.0%	12.0%
WASO	1,051	1,013	969	933	893	860	846		
EPS	**$3.85**	**$4.43**	**$5.56**	**$6.76**	**$7.96**	**$8.90**	**$9.42**	**20.7%**	**16.1%**
Growth and Margins Analysis									
Revenue Growth	-	6.9 %	10.3 %	8.3 %	7.4 %	7.5 %	2.9 %		
R&D as % of Revenue	20.0	20.0	20.0	20.0	20.0	20.0	20.0		
MSG&A as % of Revenue	15.8	14.5	13.9	13.5	12.9	12.9	13.2		
EBIT Margin	43.7	43.4	44.8	47.4	49.7	49.8	49.9		
EBITDA Margin	47.3	47.3	48.2	50.6	52.7	52.6	52.7		
EPS Growth	-	15.2	25.4	21.7	17.7	11.8	5.8		
Selected Balance Sheet Metrics									
Cash & Equivalents [1]	$10,716	$8,527	$9,912	$10,624	$11,353	$14,078	$19,818		
Total Debt	2,268	1,755	1,741	1,724	1,705	1,683	658		
Selected Cash Flow Metrics									
Depreciation	$507	$586	$559	$575	$577	$585	$594		
Capital Expenditures	(546)	(560)	(620)	(600)	(554)	(545)	(593)		
(Increase) / Decrease in Working Capital	(50)	(371)	125	(68)	(122)	(132)	(58)		

Source: Company management projections as of 16-Nov-2008

[1] *Includes short-term investments and long-term marketable securities*

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Francis 2008 Financial Plan Cash Flow Analysis

($ in millions)

	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	'09E - '15E CAGR	'15E - '24E CAGR	'09E - '24E CAGR
Revenue	$14,118	$15,099	$16,648	$18,038	$19,370	$20,817	$21,418	$22,273	$24,171	$26,897	$27,542	$28,398	$29,883	$32,825	$36,099	$38,764	7.2%	6.8%	7.0%
Operating Income	$6,169	$6,558	$7,461	$8,550	$9,636	$10,361	$10,692	$11,173	$12,414	$14,148	$14,450	$14,217	$14,609	$16,182	$17,970	$19,604	9.6%	7.0%	8.0%
Taxes	(2,219)	(2,220)	(2,311)	(2,548)	(2,838)	(3,041)	(3,121)	(3,252)	(3,662)	(4,223)	(4,116)	(4,095)	(4,203)	(4,756)	(5,269)	(5,732)			
Unlevered Net Income	$3,950	$4,339	$5,150	$6,002	$6,798	$7,320	$7,570	$7,920	$8,752	$9,925	$10,334	$10,122	$10,406	$11,426	$12,701	$13,872	11.5%	7.0%	8.7%
Depreciation	$507	$586	$559	$575	$577	$585	$594	$593	$594	$606	$613	$638	$625	$622	$635	$661			
CapEx	(546)	(560)	(620)	(600)	(554)	(545)	(593)	(647)	(640)	(716)	(688)	(722)	(782)	(808)	(833)	(820)			
(Increase) / Decrease in Working Capital	(50)	(371)	125	(68)	(122)	(132)	(58)	(91)	(222)	(228)	(126)	7	(197)	(231)	(397)	(746)			
Unlevered Free Cash Flow	$3,861	$3,994	$5,214	$5,909	$6,699	$7,228	$7,513	$7,776	$8,483	$9,588	$10,133	$10,044	$10,052	$11,010	$12,105	$12,968	11.7%	6.3%	8.4%
EBITDA	6,676	7,144	8,021	9,125	10,213	10,946	11,285	11,766	13,007	14,754	15,063	14,855	15,234	16,804	18,605	20,266	9.1%	6.7%	7.7%
Adjusted Tax Rate	36.0%	33.8%	31.0%	29.8%	29.4%	29.3%	29.2%	29.1%	29.5%	29.8%	28.5%	28.8%	28.8%	29.4%	29.3%	29.2%			

Note: Tax rate adjusted to exclude tax impact from interest income

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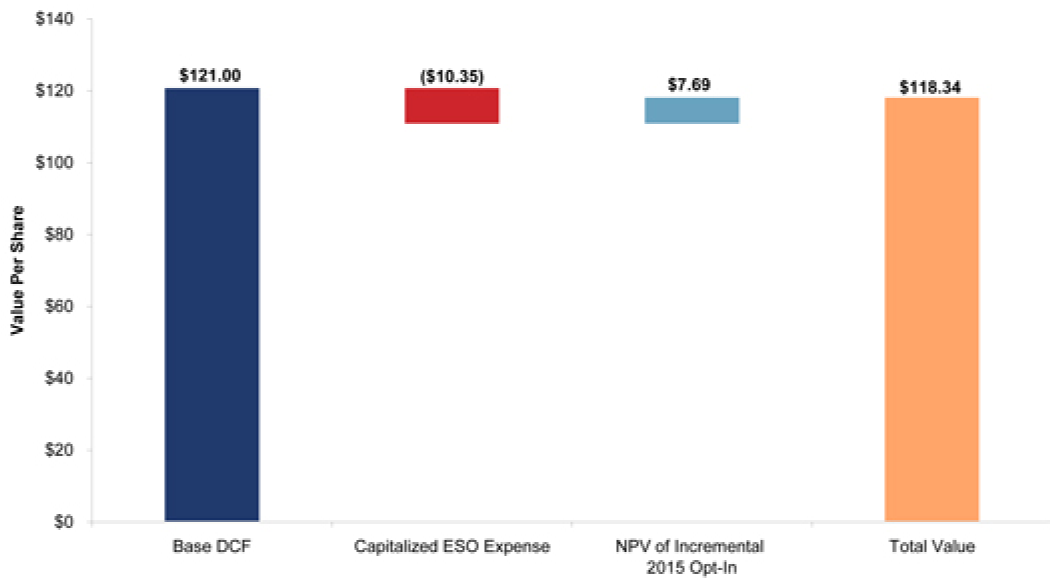
Illustrative Components of Discounted Cash Flow Analysis

Assumes 3.0% Perpetuity Growth Rate and 9.0% Discount Rate

($ Per Share)



Source: Financial projections and scenarios per Francis management as of 16-Nov-2008
Note: Assumes 1,052mm basic shares outstanding, as of 31-Oct-2008. Fully diluted shares outstanding calculated using treasury stock method based on options schedule provided by Francis management. Assumes net cash of $7.7 billion and cash flows discounted to 31-Mar-2009 using mid-year convention.

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Discounted Cash Flow Analysis of Francis

Financial Sensitivities

2024 Terminal Year

Enterprise Value

Discount Rate	Perpetuity Growth Rate: 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$97,327	$99,467	$101,834	$104,446	$107,299
9.5 %	105,295	107,891	110,766	113,925	117,319
9.0 %	114,467	117,628	121,120	124,905	128,791
8.5 %	125,100	128,954	133,166	137,562	141,470
8.0 %	137,512	142,191	147,144	151,729	153,327

Equity Value Per Share

Discount Rate	Perpetuity Growth Rate: 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$97.28	$99.18	$101.27	$103.58	$106.11
9.5 %	104.34	106.63	109.18	111.97	114.98
9.0 %	112.45	115.25	118.34	121.69	125.13
8.5 %	121.87	125.28	129.01	132.90	136.36
8.0 %	132.85	137.00	141.38	145.44	146.85

% of Enterprise Value in Terminal Value

Discount Rate	Perpetuity Growth Rate: 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	40.2 %	42.2 %	44.3 %	46.8 %	49.6 %
9.5 %	42.5	44.6	47.1	49.8	53.0
9.0 %	44.9	47.3	50.0	53.1	57.0
8.5 %	47.5	50.1	53.2	56.9	61.8
8.0 %	50.2	53.2	56.8	61.5	68.8

Implied 2024 P/E[1]

Discount Rate	Perpetuity Growth Rate: 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	10.6 x	11.4 x	12.3 x	13.3 x	14.5 x
9.5 %	11.3	12.2	13.2	14.4	15.7
9.0 %	12.1	13.1	14.3	15.6	17.3
8.5 %	13.0	14.2	15.5	17.2	19.2
8.0 %	14.1	15.4	17.0	19.0	21.5

Source: Financial projections per Francis management as of 16-Nov-2008
Note: Includes capitalized ESO expense and NPV of incremental 2015 Opt-in. Assumes 1,052mm basic shares outstanding, as of 31-Oct-2008. Fully diluted shares outstanding calculated using treasury stock method based on options schedule provided by Francis management. Assumes net cash of $7.7 billion and cash flows discounted to 31-Mar-2009 using mid-year convention
[1] P/E as implied by net income per Francis management projections

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Discounted Cash Flow Analysis of Francis

Financial Sensitivities

2018 Terminal Year

Enterprise Value

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$89,767	$92,775	$96,134	$99,891	$104,080
9.5 %	96,725	100,258	104,215	108,637	113,523
9.0 %	104,705	108,875	113,545	118,722	124,277
8.5 %	113,921	118,855	124,344	130,271	136,051
8.0 %	124,630	130,453	136,780	143,043	146,739

Equity Value Per Share

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$90.59	$93.25	$96.23	$99.55	$103.26
9.5 %	96.75	99.88	103.38	107.29	111.62
9.0 %	103.81	107.50	111.64	116.22	121.14
8.5 %	111.97	116.34	121.20	126.44	131.56
8.0 %	121.45	126.61	132.21	137.75	141.02

% of Enterprise Value in Terminal Value

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	57.0 %	59.2 %	61.5 %	64.0 %	66.9 %
9.5 %	58.9	61.2	63.7	66.5	69.8
9.0 %	60.8	63.3	66.1	69.3	73.1
8.5 %	62.8	65.5	68.7	72.4	77.5
8.0 %	64.9	68.0	71.7	76.5	84.3

Implied 2018 P/E[1]

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	11.9 x	12.8 x	13.8 x	14.9 x	16.2 x
9.5 %	12.7	13.7	14.8	16.1	17.6
9.0 %	13.6	14.7	16.0	17.5	19.3
8.5 %	14.6	15.9	17.4	19.2	21.4
8.0 %	15.7	17.3	19.1	21.3	24.1

Source: Financial projections per Francis management as of 16-Nov-2008
Note: Includes capitalized ESO expense and NPV of incremental 2015 Opt-in. Assumes 1,052mm basic shares outstanding, as of 31-Oct-2008. Fully diluted shares outstanding calculated using treasury stock method based on options schedule provided by Francis management. Assumes net cash of $7.7 billion and cash flows discounted to 31-Mar-2009 using mid-year convention
[1] P/E as implied by net income per Francis management projections

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2015 Opt-In Valuation Assumptions

Key Assumptions

- Management forecast assumes current James / Francis royalty arrangement remains in place post 2015 with ~15% royalty rate
- Incremental value assumes a market royalty rate of 20% to 30% less the existing 15% royalty rate assumed in the management forecast
- $500M peak for lead indication and $250M peak sales for each line extension
  - Ex-U.S. sales equal to 100% of U.S. sales
- 35% marginal tax rate applied to post-2015 royalty revenues
- NMEs per year from 2015-2025 consistent with the management base case
- NMEs post 2025 held constant at 13 NMEs per year
  - Sensitivity analysis varies the 13 management base case NMEs per year +/- 2 NMEs per year
- Revenues projected to 2060 (beginning in 2022) and discounted to 31-Mar-2009 using mid-year convention
  - Discount rate of 8.0 to 10.0%

Incremental Value Per Share

Discount Rate	Royalty Rate: 20%	23%	25%	28%	30%
10.0 %	$2.74	$4.10	$5.47	$6.84	$8.21
9.5 %	3.23	4.85	6.47	8.08	9.70
9.0 %	3.85	5.77	7.69	9.62	11.54
8.5 %	4.61	6.92	9.22	11.53	13.83
8.0 %	5.58	8.37	11.16	13.95	16.74

Incremental Value Per Share

Discount Rate	Incremental Slots: (2.0)	(1.0)	0.0	1.0	2.0
10.0 %	$3.26	$4.36	$5.47	$7.41	$9.35
9.5 %	3.86	5.15	6.47	8.66	10.86
9.0 %	4.61	6.14	7.69	10.20	12.71
8.5 %	5.53	7.36	9.22	12.11	14.99
8.0 %	6.71	8.92	11.16	14.50	17.85

Source: Company management
Note: Assumes 1,052mm basic shares outstanding, as of 31-Oct-2008. Fully diluted shares outstanding calculated using treasury stock method based on options schedule provided by Francis management.

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Employee Stock Option Expense Assumptions

($ in millions, except per share data)

Key Assumptions

- Employee stock expense per management estimates
- Assumes Black Scholes based estimate of 2009 after-tax employee stock option expense of $328 million
- 6% annual growth rate of ESO issuance consists of an assumed 3% annual inflation plus 3% annual employee growth
  - Sensitivity analysis varies 6% ESO growth rate by +/- 1.0% to reflect potential changes in inflation and employee growth
- Net present value projected per Francis management
  - Discount rate of 8.0 to 10.0%

Total Value

Discount Rate	ESO Growth Rate 5.0 %	5.5 %	6.0 %	6.5 %	7.0 %
10.0 %	($6,840)	($7,565)	($8,473)	($9,639)	($11,194)
9.5 %	(7,588)	(8,498)	(9,668)	(11,228)	(13,412)
9.0 %	(8,524)	(9,698)	(11,262)	(13,453)	(16,739)
8.5 %	(9,728)	(11,297)	(13,494)	(16,790)	(22,283)
8.0 %	(11,332)	(13,536)	(16,842)	(22,352)	(33,372)

Total Value Per Share

Discount Rate	ESO Growth Rate 5.0 %	5.5 %	6.0 %	6.5 %	7.0 %
10.0 %	($6.34)	($7.01)	($7.84)	($8.91)	($10.33)
9.5 %	(7.01)	(7.84)	(8.91)	(10.34)	(12.34)
9.0 %	(7.85)	(8.92)	(10.35)	(12.35)	(15.35)
8.5 %	(8.93)	(10.36)	(12.36)	(15.37)	(20.38)
8.0 %	(10.37)	(12.38)	(15.38)	(20.40)	(30.44)

Source: Company management
Note: Assumes 1,052mm basic shares outstanding, as of 31-Oct-2008. Fully diluted shares outstanding calculated using treasury stock method based on options schedule provided by Francis management.

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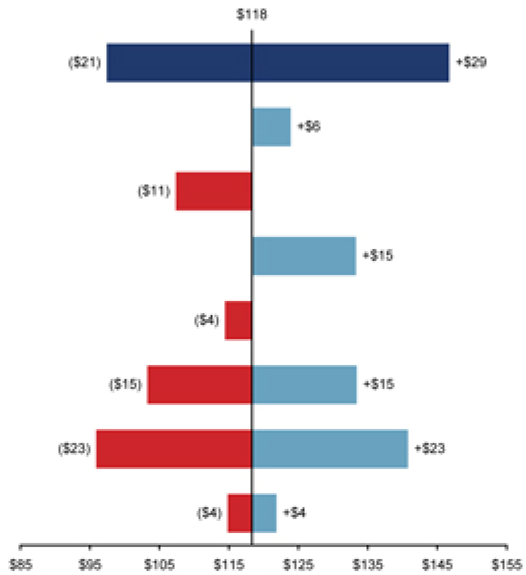
Illustrative Review of Financial Analysis

Sensitivity Analysis

($ Per Share)

Item	Methodology
Base Case	Range of 8% to 10% discount rate and 2% to 4% perpetuity growth rate
Scenarios[1]	
Adjuvant Upside	70% PTS for adjuvant lung and breast indications; early positive C-08 results in Q2 2009
Adjuvant Downside	10% PTS for adjuvant lung and breast indications; negative C-08 results by Q2 2009
Unnamed Pipeline Upside	Greater market opportunity – one in five future molecules added to portfolio have an Avastin like sales potential (~$2.3 billion peak sales)
Unnamed Pipeline Downside	Reduced overall market opportunity to $750 million for each product
Volume	-10% to +10% incremental change in volume / total revenue (constant margins)
Pricing	-10% to +10% incremental change in pricing (no change in costs)
Follow-on Biologic	-20% to +20% incremental follow-on biologic erosion for top 4 products (constant margins)

Equity Value Per Diluted Share



Source: Francis management projections

[1] Assumes 3.0% perpetuity growth rate and 9.0% discount rate; assumptions regarding NPV of incremental 2015 Opt-in and capitalized ESO expense held constant in each scenario

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C. Transaction-Related Financial Analysis

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Transaction-Related Source of Value

- Synergies to James
  - James publicly acknowledges $750 to $850 million in synergy opportunity
    - Precedent transactions show this estimate to be conservative when measured as a percentage of sales and operating expenses
- Tax Benefits
  - Inter-company loan: James acknowledges using inter-company tax strategies in recent acquisitions to reduce tax leakage
  - Long-term tax strategies: Under James' ownership, Francis can gradually lower the tax rate by moving existing IP and housing new IP in foreign jurisdictions as well as expanding Francis' current plan to offshore manufacturing activities
- The Intangibles – Control versus Ownership
  - *"Be very careful -- we control, but we don't own. And there is, as Bill or Severin pointed out, there is no free exchange of information, of know-how, of intellectual property; all that is today not possible. We are running two parallel organizations. We are running programs that are parallel and perhaps should not be parallel. We are developing the same drugs on the one hand in the United States through an organization; on the other hand, outside of the States through an organization. More and more large company overlaps are being created."*
    --- Franz Humer, Investor Conference, 22-Jul-2008
- Cash Flow Control

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Illustrative Benefits Related to Inter-Company Loan

($ in billions, except per share data)

Potential Inter-Company Loan Benefit

- James Swiss parent raises debt in non-U.S. jurisdictions
- James parent loans proceeds to its U.S. subsidiary at an arm's-length rate (e.g., 8%) to fund the buyout consideration (the "inter-company loan")
- The inter-company loan creates tax deductions in the U.S. which enhances after-tax cash flow from Francis' operations
  - Interest on inter-company loan is generally deductible for U.S. tax purposes provided aggregate interest expense does not exceed 50% of taxable EBITDA
  - Interest payments should not be subject to U.S. withholding tax under U.S.-Swiss tax treaty
- Need to determine whether and at what rate the interest income would be taxable in Switzerland
  - Generally, Swiss companies would be subject to tax on interest income at 25% tax rate, although there may be structures to reduce tax liability in Switzerland
- Illustrative tax shield assuming $30 billion in new debt:
  - ($30bn debt * 8% interest rate * 39% marginal tax rate) = $936mm annual benefit
  - If Swiss tax rate on interest income is 25%, net tax savings of $336mm; net benefit even greater if interest income is subject to even lower tax rate in Switzerland or the Netherlands

NPV Benefit of Inter-Company Loan at Various Swiss Tax Rates

Per Total Share

		Inter-Company Loan Amount ($bn)				
		$10.0	$20.0	$30.0	$40.0	$50.0
Swiss Tax Rate	25 %	$1.14	$2.29	$3.43	$4.58	$5.72
	20 %	1.55	3.11	4.66	6.21	7.77
	15 %	1.96	3.92	5.89	7.85	9.81
	10 %	2.37	4.74	7.11	9.48	11.85
	5 %	2.78	5.56	8.34	11.12	13.90
	0 %	3.19	6.38	9.57	12.75	15.94

Per Minority Share

		Inter-Company Loan Amount ($bn)				
		$10.0	$20.0	$30.0	$40.0	$50.0
Swiss Tax Rate	25 %	$2.49	$4.98	$7.47	$9.95	$12.44
	20 %	3.38	6.75	10.13	13.51	16.89
	15 %	4.27	8.53	12.80	17.06	21.33
	10 %	5.16	10.31	15.47	20.62	25.78
	5 %	6.04	12.09	18.13	24.18	30.22
	0 %	6.93	13.87	20.80	27.73	34.66

Note: Assumes 1,087 mm diluted shares outstanding. Assumes James owns 587mm shares and the remainder held by minority shareholders. Assumes 9.0% cost of capital. Assumes James will not pay down transaction debt and U.S. marginal tax rate of 39%. This analysis represents a stand-alone case that captures solely the potential inter-company loan benefit and assumes that no other tax benefits are achieved.

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Illustrative Benefits Related to Long-Term Tax Strategies

- Over time James may be able to offshore Francis IP to achieve a lower overall tax rate
  - Immediate movement of IP offshore would generate a large one-time tax bill
- In addition, due to global operations, James may be able to accelerate and/or maintain offshore manufacturing tax benefits for a longer period
- The long term benefit of a tax rate that approximates James' current tax rate could contribute significant long-term value
- The table below shows the net value that could be created by trending to a 26% terminal year tax rate vs. a 29% tax rate

Present Value of Long-term Tax Strategies

Per Total Share

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$0.77	$0.89	$1.03	$1.19	$1.37
9.5 %	1.01	1.15	1.32	1.52	1.76
9.0 %	1.29	1.47	1.68	1.93	2.23
8.5 %	1.63	1.86	2.12	2.44	2.83
8.0 %	2.04	2.33	2.67	3.09	3.61

Per Minority Share

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$1.74	$2.02	$2.33	$2.69	$3.10
9.5 %	2.28	2.61	3.00	3.44	3.97
9.0 %	2.92	3.33	3.81	4.37	5.05
8.5 %	3.69	4.20	4.80	5.53	6.41
8.0 %	4.62	5.27	6.04	6.98	8.16

Note: Assumes 1,052mm basic shares outstanding, as of 31-Oct-2008. Fully diluted shares outstanding calculated using treasury stock method based on options schedule provided by Francis management. Assumes 44.2% minority holdings. Assumes James will not pay down transaction debt. Potential tax withholding related to interest income to parent entity is not included in analysis.

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Synergy Levels in Precedent Pharmaceutical Transactions

($ in millions)

		Total Cost Savings as a % of Prior Year Combined	
Announced Transactions	Total Announced Cost Savings ($mm)	Pharma Sales	R&D + SG&A
James / Francis	*$750 - $850*	*2.5% - 2.8%*	*4.4% - 5.0%*
Pfizer / Wyeth	4,000	6.3	12.2
UCB / Schwarz	382	10.8	17.5
AstraZeneca / MedImmune	500	1.8	3.3
Roche / Syntex	825	10.6	21.4
Glaxo / Wellcome	1,165	9.4	19.9
Ciba-Geigy / Sandoz	1,500	7.8	17.7
Pfizer / Warner-Lambert [1]	1,700	8.1	14.5
Astra / Zeneca	1,900	8.5	14.1
Pharmacia / Upjohn	500	6.7	13.5
Glaxo / SmithKline	1,700	8.1	13.0
AHP / Monsanto [2]	1,400	6.2	12.9
Sanofi-Synthelabo / Aventis	1,940	6.1	12.5
Pfizer / Pharmacia	2,500	6.8	11.0
Monsanto / Pharmacia & Upjohn	600	5.7	9.4
AHP / Warner-Lambert [2]	1,200	6.9	9.1
	High	***10.8%***	***21.4%***
	Mean	***7.3***	***13.5***
	Median	***6.9***	***13.0***
	Low	***1.8***	***3.3***

Source: Publicly available information
[1] *Represents percentages based on Pharma businesses only. Adjusts for Warner-Lambert's consumer and confectionary businesses and Pfizer's animal health and consumer businesses.*
[2] *Deal withdrawn.*

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Illustrative Benefits Related to Incremental Synergy Benefits

- James has messaged $750 - $850mm in synergies
  - Precedent transactions indicate synergies could be substantially larger

EPS Impact to James

- The incremental impact of $100mm of pre-tax synergies is an annual CHF 0.09 per share to James EPS (approximately 0.7% of James 2009E EPS)

Present Value of Synergies

- Discounted by 8.0% - 10.0%, assuming no growth rate

Present Value of Synergies

Per Total Share

Cost of Capital	Annual Savings: $750	$850	$1,500	$2,250
10.0 %	$4.41	$5.00	$8.83	$13.24
9.0 %	4.90	5.56	9.81	14.71
8.0 %	5.52	6.25	11.03	16.55

Per Minority Share

Cost of Capital	Annual Savings: $750	$850	$1,500	$2,250
10.0 %	$9.60	$10.88	$19.19	$28.79
9.0 %	10.66	12.08	21.32	31.99
8.0 %	11.99	13.59	23.99	35.98

Note: Assumes 1,087 mm diluted shares outstanding. Assumes James owns 587mm shares and the remainder held by minority shareholders. Synergies taxed at Francis tax rate of approximately 36.0%. EPS benefit to James based on 1.16 CHF : USD exchange rate and 862.6 million James shares outstanding. Percentage change to James EPS based on 2009E Wall Street EPS of CHF 11.57.

IV. Credit Market Considerations and Transaction Analysis

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A. Credit Market Considerations

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Current Credit Market Considerations

- Financing markets are showing signs of improvement for high quality, investment grade issuers
  - $16.5 billion bond offering recently completed by James
  - Pfizer/Wyeth bridge loan for $22.5 billion is a positive development, although lenders negotiated unusual funding conditions and sizeable up-front fees
  - Novartis successfully placed $5 billion in bonds during its initial US public bond offering
  - Investment grade new issue volume year to date has been strong
    - More than $80bn of new corporate issuance year-to-date in 2009, including 10 offerings larger than $3bn
- Reduced bank capacity continues to create size constraints for completing large transactions
  - Commitments are very expensive
  - Pfizer loan arguably decreases capacity
- Uncertainty around government sponsored bank relief programs adds to near term lending hesitancy
- However, James and Francis are considered stable, creditworthy companies, which makes it difficult to assume that a transaction cannot be financed
  - Generate significant cash flow
  - Low existing leverage levels
  - Healthcare considered a relatively stable sector during economic downturns

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B. Transaction Analysis

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Transaction Analysis Assumptions

- Projections based on Wall Street research dated 20-Feb-2009 for James, 16-Jan-2009 for Francis and Francis management projections as of 16-Nov-2008
- Achieves pre-tax synergies of $400 million in 2009E and $800 million in 2010E - 2011E
  - Excludes potential costs to achieve synergies
- Assumes cash consideration consists of $10 billion in existing cash
  - Assumes $16.5 billion bond offering recently completed by James is used for acquisition consideration
  - Size of transaction and debt ratings are significant considerations in evaluating cost and capacity for debt
- 3.0% opportunity cost of cash
- CHF10 billion minimum cash balance for pro forma company and James projected dividend payments per Wall Street research
  - Excess free cash flow used to service debt
- Assumes no amortization of excess purchase price due to ability of James to account for it on the balance sheet directly as a reduction in equity (Francis already consolidated)
- Pro forma for transaction closing 01-Jan-2009

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Leverage Analysis for James

Pro Forma for the Acquisition of Francis

(Figures in millions, except per share data)

Currency Exchange Rate (CHF / $)	**1.16**

Price Per Share ($)	**$86.50**	**$89.00**	**$95.00**	**$100.00**	**$105.00**	**$110.00**	**$115.00**	**$120.00**	**$125.00**
Price Per Share (CHF)	**CHF 99.92**	**CHF 102.81**	**CHF 109.74**	**CHF 115.52**	**CHF 121.29**	**CHF 127.07**	**CHF 132.84**	**CHF 138.62**	**CHF 144.39**
Minority Shares (mm)	**486**	**488**	**491**	**494**	**496**	**498**	**500**	**502**	**503**
Equity Consideration - Diluted	**$42,044**	**$43,397**	**$46,648**	**$49,360**	**$52,072**	**$54,785**	**$57,497**	**$60,210**	**$62,923**
	CHF 48,567	**CHF 50,130**	**CHF 53,885**	**CHF 57,018**	**CHF 60,151**	**CHF 63,285**	**CHF 66,418**	**CHF 69,552**	**CHF 72,685**
Existing Cash Used	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
	CHF 11,552	CHF 11,552	CHF 11,552	CHF 11,552	CHF 11,552	CHF 11,552	CHF 11,552	CHF 11,552	CHF 11,552
Incremental Financing Need	$32,544	$33,897	$37,148	$39,860	$42,572	$45,285	$47,997	$50,710	$53,423
	CHF 37,593	CHF 39,156	CHF 42,911	CHF 46,044	CHF 49,177	CHF 52,311	CHF 55,444	CHF 58,578	CHF 61,711
Estimated Average Financing Cost	4%	4%	4%	4%	4%	4%	5%	5%	5%
2008A Pro Forma Credit Profile (CHF mn)									
EBITDA	CHF 16,645	CHF 16,645	CHF 16,645	CHF 16,645	CHF 16,645	CHF 16,645	CHF 16,645	CHF 16,645	CHF 16,645
CapEx	3,139	3,139	3,139	3,139	3,139	3,139	3,139	3,139	3,139
Total Debt	41,682	43,245	47,000	50,133	53,266	56,400	59,533	62,667	65,800
Total Debt / EBITDA	2.5 x	2.6 x	2.8 x	3.0 x	3.2 x	3.4 x	3.6 x	3.8 x	4.0 x
Total Debt / (EBITDA - CapEx)	3.1	3.2	3.5	3.7	3.9	4.2	4.4	4.6	4.9
Net Debt	29,953	31,515	35,271	38,403	41,537	44,670	47,804	50,937	54,070
Net Debt / EBITDA	1.8 x	1.9 x	2.1 x	2.3 x	2.5 x	2.7 x	2.9 x	3.1 x	3.2 x
Net Debt / (EBITDA - CapEx)	2.2	2.3	2.6	2.8	3.1	3.3	3.5	3.8	4.0
Total Cash	11,730	11,730	11,730	11,730	11,730	11,730	11,730	11,730	11,730
2009E Pro Forma Credit Profile (CHF mn)									
EBITDA	CHF 18,835	CHF 18,835	CHF 18,835	CHF 18,835	CHF 18,835	CHF 18,835	CHF 18,835	CHF 18,835	CHF 18,835
CapEx	2,899	2,899	2,899	2,899	2,899	2,899	2,899	2,899	2,899
Total Debt	33,417	34,979	38,735	41,868	45,001	48,134	51,268	54,401	57,535
Total Debt / EBITDA	1.8 x	1.9 x	2.1 x	2.2 x	2.4 x	2.6 x	2.7 x	2.9 x	3.1 x
Total Debt / (EBITDA - CapEx)	2.1	2.2	2.4	2.6	2.8	3.0	3.2	3.4	3.6
Net Debt	23,417	24,979	28,735	31,868	35,001	38,134	41,268	44,401	47,535
Net Debt / EBITDA	1.2 x	1.3 x	1.5 x	1.7 x	1.9 x	2.0 x	2.2 x	2.4 x	2.5 x
Net Debt / (EBITDA - CapEx)	1.5	1.6	1.8	2.0	2.2	2.4	2.6	2.8	3.0
Total Cash	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Preliminary Long-term Credit Rating	AA- / A1	AA- / A1	AA-,A+ / A1,A2	A+ / A2	A / A3 upside potential		A / A3	A- / Baa1	A- / Baa1
Potential Notch Downgrade [1]	0 / 3	0 / 3	1 / 4	1 / 4	2 / 5		2 / 5	3 / 6	3 / 6
Preliminary Short-term Credit Rating	A-1+ / P-1	A-1+ / P-1	A-1+,A-1 / P-1	A-1 / P-1	<---- A-1 stable / P-1 at risk ---->		A-2 / P-2	A-2 / P-2	A-2 / P-2

Source: Francis management projections and Wall Street research
Note: Assumes debt paydown beginning in 2009 with a minimum CHF10,000 mm cash balance
[1] *Assumes current Moody's long-term rating of Aa1, which is under review for possible downgrade. Credit ratings and financing costs represent estimates*

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Comparison of Illustrative Financing Sources

100% Cash at $86.50 Per Share

(Figures in millions)

Current

- Near-term availability of bridge commitment to fund an all-cash deal is difficult and expensive given continued deterioration of credit markets (Pfizer)

Sources	USD	CHF
Stock Consideration	$0	CHF 0
Francis Cash Used	$9,545	CHF 11,026
James Existing Cash Used	455	526
Total Cash Used	$10,000	CHF 11,552
Debt Issuance:		
Commercial Paper @ 1.6%	$10,000	CHF 11,552
Bonds ($) @ 4.9%	16,500	19,060
Bonds (EUR) @ 5.8%	6,044	6,982
Term Loan @ 2.7%	0	0
Total Debt Issuance	$32,544	CHF 37,593
Total Sources	**$42,544**	**CHF 49,145**

Average Financing Cost @ $86.50 Per Share	4.0%
Average Financing Cost @ $110.00 Per Share	4.2%

As of 12-Aug-2008

- Banks willing and able to provide large bridge commitments (InBev, BHP)

Sources	USD	CHF
Stock Consideration	$0	CHF 0
Francis Cash Used	$6,337	CHF 6,859
James Existing Cash Used	3,663	3,964
Total Cash Used	$10,000	CHF 10,823
Debt Issuance:		
Commercial Paper @ 2.5%	$15,000	CHF 16,235
Bonds ($) @ 6.0%	10,000	10,823
Bonds (EUR) @ 6.3%	5,000	5,412
Term Loan @ 4.3%	2,960	3,204
Total Debt Issuance	$32,960	CHF 35,673
Total Sources	**$42,960**	**CHF 46,496**

Average Financing Cost @ $86.50 Per Share	4.3%
Average Financing Cost @ $110.00 Per Share	5.0%

Note: Assumes $86.50 per share acquisition price. Assumes exchange rate today of 1.16 CHF / 1 USD and exchange rate on 12-Aug of 1.08 CHF / 1 USD. Estimated financing costs vary based on leverage level

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Illustrative Accretion / (Dilution) Analysis

100% Cash

(Figures in millions, except per share data)

Currency Exchange Rate (CHF / $)	1.16

	Standalone									
Price Per Share ($)		**$86.50**	**$89.00**	**$95.00**	**$100.00**	**$105.00**	**$110.00**	**$115.00**	**$120.00**	**$125.00**
Price Per Share (CHF)		**CHF 99.92**	**CHF 102.81**	**CHF 109.74**	**CHF 115.52**	**CHF 121.29**	**CHF 127.07**	**CHF 132.84**	**CHF 138.62**	**CHF 144.39**
Minority Shares (mm)		**486**	**488**	**491**	**494**	**496**	**498**	**500**	**502**	**503**
Equity Consideration - Diluted		**$42,044**	**$43,397**	**$46,648**	**$49,360**	**$52,072**	**$54,785**	**$57,497**	**$60,210**	**$62,923**
		CHF 48,567	**CHF 50,130**	**CHF 53,885**	**CHF 57,018**	**CHF 60,151**	**CHF 63,285**	**CHF 66,418**	**CHF 69,552**	**CHF 72,685**
Existing Cash Used		$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
		CHF 11,552	CHF 11,552	CHF 11,552	CHF 11,552	CHF 11,552	CHF 11,552	CHF 11,552	CHF 11,552	CHF 11,552
Incremental Financing Need		$32,544	$33,897	$37,148	$39,860	$42,572	$45,285	$47,997	$50,710	$53,423
		CHF 37,593	CHF 39,156	CHF 42,911	CHF 46,044	CHF 49,177	CHF 52,311	CHF 55,444	CHF 58,578	CHF 61,711
Estimated Average Financing Cost		4%	4%	4%	4%	4%	4%	5%	5%	5%
% Accretion / (Dilution) to James										
2009E		4.6%	3.4%	2.0%	1.0%	0.4%	(0.5)%	(4.9)%	(5.9)%	(7.0)%
2010E		2.9%	2.1%	0.7%	(0.3)%	(0.7)%	(1.2)%	(4.6)%	(5.6)%	(6.5)%
2011E		6.2%	5.6%	4.3%	3.1%	2.5%	1.7%	(0.3)%	(1.2)%	(2.1)%
Incremental Pre-tax Synergies to Breakeven										
2009E		NM	NM	NM	NM	NM	CHF 64	CHF 681	CHF 830	CHF 979
2010E		NM	NM	NM	44	103	187	696	845	994
2011E		NM	NM	NM	NM	NM	NM	49	197	346
Pro Forma EPS Growth	Standalone									
2008E - 2012E	11.5%	14.5%	14.4%	14.1%	13.8%	13.6%	13.4%	13.0%	12.8%	12.6%
Pro Forma P/E to Breakeven										
2009E	11.7x	11.1x	11.3x	11.4x	11.5x	11.6x	11.7x	12.3x	12.4x	12.5x
2010E	10.7x	10.4x	10.5x	10.6x	10.7x	10.8x	10.8x	11.2x	11.3x	11.5x
Implied Pro Forma PEG										
2009E	1.0x	0.8x	0.8x	0.8x	0.8x	0.9x	0.9x	0.9x	1.0x	1.0x
2010E	0.9x	0.7x	0.7x	0.8x	0.8x	0.8x	0.8x	0.9x	0.9x	0.9x

Source: Francis management projections and Wall Street research

Note: Assumes cash consideration financed with $10 billion in existing cash and the remainder in new debt. Assumes $500mm in transaction fees paid with cash. Assumes 3.0% opportunity cost of cash. Assumes pre-tax synergies of $400 million in 2009E and $800 million in 2010E - 2011E. Pro forma for 01-Jan-2009 closing. Standalone EPS growth per Wall Street research with adjustments to normalize interest income towards Wall Street research median.

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Appendix A: Supplementary Materials

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Analysis at Various Prices

($ in millions, except per share data)

Price Per Share		**$86.50**	**$89.00**	**$95.00**	**$100.00**	**$105.00**	**$110.00**	**$115.00**	**$120.00**	**$125.00**
Total Equity Consideration - Diluted		$92,836	$95,657	$102,431	$108,079	$113,727	$119,376	$125,024	$130,673	$136,321
Net Debt		(7,681)	(7,681)	(7,681)	(7,681)	(7,681)	(7,681)	(7,681)	(7,681)	(7,681)
Enterprise Value		$85,155	$87,975	$94,749	$100,397	$106,046	$111,694	$117,343	$122,991	$128,640
Premium / (Discount) to Stock Price										
Current (as of 20-Feb-2009)	$85.02	1.7 %	4.7 %	11.7 %	17.6 %	23.5 %	29.4 %	35.3 %	41.1 %	47.0 %
18-Jul-2008 Close Price	81.82	5.7	8.8	16.1	22.2	28.3	34.4	40.6	46.7	52.8
1 Day Prior	81.16	6.6	9.7	17.1	23.2	29.4	35.5	41.7	47.9	54.0
30-Day Average	75.96	13.9	17.2	25.1	31.7	38.2	44.8	51.4	58.0	64.6
6-Month Average	74.05	16.8	20.2	28.3	35.0	41.8	48.5	55.3	62.0	68.8
Revenue										
2008A	$13,418	6.3 x	6.6 x	7.1 x	7.5 x	7.9 x	8.3 x	8.7 x	9.2 x	9.6 x
2009E	14,118	6.0	6.2	6.7	7.1	7.5	7.9	8.3	8.7	9.1
2010E	15,099	5.6	5.8	6.3	6.6	7.0	7.4	7.8	8.1	8.5
2011E	16,648	5.1	5.3	5.7	6.0	6.4	6.7	7.0	7.4	7.7
EBITDA										
2008A	$6,223	13.7 x	14.1 x	15.2 x	16.1 x	17.0 x	17.9 x	18.9 x	19.8 x	20.7 x
2009E	6,676	12.8	13.2	14.2	15.0	15.9	16.7	17.6	18.4	19.3
2010E	7,144	11.9	12.3	13.3	14.1	14.8	15.6	16.4	17.2	18.0
2011E	8,021	10.6	11.0	11.8	12.5	13.2	13.9	14.6	15.3	16.0
EPS										
2008A	$3.42	25.3 x	26.0 x	27.8 x	29.3 x	30.7 x	32.2 x	33.7 x	35.1 x	36.6 x
2009E	3.85	22.5	23.1	24.7	26.0	27.3	28.6	29.9	31.2	32.5
2010E	4.43	19.5	20.1	21.4	22.6	23.7	24.8	26.0	27.1	28.2
2011E	5.56	15.6	16.0	17.1	18.0	18.9	19.8	20.7	21.6	22.5

Source: Francis management projections and public company filings.
Note: Net debt estimated as of 31-Mar-2009 based on Company management cash flow projections

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Comparison of Selected Transactions

($ in millions)

Date Announced	Acquiror	Target		Equity Consideration (mm) (1)(2)	Enterprise Valuation (mm) (1)(2)	Enterprise Value / LTM Sales	Premium to One Day Prior (%) (3)	Premium to Four Weeks Prior (%)
Pharma / BioPharma								
06-Oct-2008	Eli Lilly & Co	ImClone Systems Inc		$6,645	$6,223	9.6 x	50.7 %	76.1 %
10-Apr-2008	Takeda	Millennium		8,765	7,909	15.0	52.9 %	78.1 %
29-Nov-2007	Eisai Corporation	MGI Pharma		3,924	3,760	10.2	38.7 %	25.8 %
18-Nov-2007	Celgene Corp	Pharmion Corp		2,839	2,590	9.7	46.1 %	53.5 %
23-Apr-2007	AstraZeneca PLC	MedImmune Inc		15,410	14,386	10.6	20.8 %	70.0 %
20-Feb-2007	Shire PLC	New River Pharmaceuticals Inc		2,646	2,499	NM	9.7 %	15.4 %
30-Oct-2006	Merck & Co Inc	Sirna Therapeutics Inc		1,121	1,038	NM	100.2 %	135.5%
17-Oct-2006	Eli Lilly & Co	ICOS Corp		2,441	2,334	30.4	18.0 %	25.4%
02-Oct-2006	Gilead Sciences Inc	Myogen Inc		2,408	2,231	NM	49.7 %	50.0%
21-Sep-2006	Merck KGaA	Serono International SA		8,296	12,863	4.5	20.2 %	30.5%
15-May-2006	AstraZeneca PLC	Cambridge Antibody Tech Grp		1,116	1,077	8.5	66.9 %	71.4%
14-Dec-2005	Amgen Inc	Abgenix Inc		2,779	2,496	NM	53.6 %	67.7%
07-Sep-2005	GlaxoSmithKline PLC	ID Biomedical Corp		1,416	1,394	21.9	13.0 %	43.9%
01-Sep-2005	Novartis AG	Chiron Corp		5,734	8,850	5.1	23.5 %	23.3%
16-Jun-2005	Pfizer Inc	Vicuron Pharmaceuticals Inc		1,924	1,799	NM	84.2 %	67.3%
21-Apr-2005	Shire Pharmaceuticals Grp PLC	Transkaryotic Therapies Inc		1,571	1,448	17.4	21.6 %	58.5%
18-May-2004	UCB SA	Celltech Group PLC		2,718	2,450	3.9	27.6 %	22.0%
29-Mar-2004	Amgen Inc	Tularik Inc		1,424	1,851	37.0	47.1 %	33.0%
26-Feb-2004	Genzyme Corp	ILEX Oncology Inc		1,048	947	27.2	25.0 %	10.5%
			High	$ 15,410	$ 14,386	37.0 x	100.2%	135.5%
			Mean	3,907	4,113	15.1	40.5%	50.4%
			Median	2,646	2,450	10.4	38.7%	50.0%
			Low	1,048	947	3.9	9.7%	10.5%
Pharma / Pharma								
25-Jan-2009	Pfizer	Wyeth		67,810	64,163	2.8 x	29.3%	38.9%
23-Mar-2006	Bayer	Schering AG		21,004	20,589	2.9	44.0%	58.9%
26-Jan-2004	Sanofi	Aventis		65,598	67,653	3.2	22.7%	28.0%
15-Jul-2002	Pfizer	Pharmacia		58,963	65,396	4.7	47.2%	25.3%
			High	$ 67,810	$ 67,653	4.7 x	47.2%	58.9%
			Mean	53,344	54,450	3.4	35.8%	37.8%
			Median	62,281	64,779	3.1	36.7%	33.5%
			Low	21,004	20,589	2.8	22.7%	25.3%

(1) *Local currency values converted to USD based on foreign exchange rates on the respective transaction announcement date.*
(2) *Sources: LTM numbers are based on latest publicly available financial statements.*
(3) *Represents premium to one day prior to announcement or premium to undistrubed share price.*

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Comparison of Selected Minority Buyout Transactions

($ in millions)

Date Effective	Target Name	Acquiror Name	% Owned Prior to Transaction	Date Announced	Transaction Value of Minority Shares ($mm)	Initial Premium Over Market Price	Final Premium Over Market Price	% Increase in Offer	Initial Premium Over 52 Week High
Greater Than 50% Owned Prior to Transaction									
02-Jan-2009	Nationwide Finl Svcs Inc	Nationwide Mutual Insurance Co	66.5%	05-Mar-2008	$2,863	15.9%	28.3%	10.7%	(28.0)%
04-Nov-2008	UnionBanCal corp	Bank of Tokyo-Mitsubishi UFJ	64.9	28-Apr-2008	3,808	9.4	38.6	26.7	(8.2)
Withdrawn	Hearst-Argyle Television	Hearst Corporation	73.3	24-Aug-2007	600	14.9	14.9	0.0	(16.5)
15-Apr-2008	Alfa Corp	Alfa Mutual Group	54.7	17-Jul-2007	833	15.8	44.7	25.0	(11.8)
20-Dec-2007	Tribune Co	Sam Zell	52.5	02-Apr-2007	3,883	5.9	5.9	0.0	(0.8)
29-Sep-2007	Great American Finl Res	American Financial Group	81.0	22-Feb-2007	246	8.6	13.2	4.3	(3.5)
20-Apr-2007	TD Banknorth Inc	Toronto-Dominion Bank	57.0	19-Nov-2006	3,175	6.5	6.5	0.0	3.0
26-Jul-2006	William Lyon Homes	General William Lyon	74.5	17-Mar-2006	246	22.9	44.0	17.2	(43.9)
16-May-2006	Lafarge North America	Lafarge SA	53.2	06-Feb-2006	2,858	16.7	33.1	14.0	(9.4)
09-Nov-2005	7-Eleven Inc	IYG Holding Co	72.7	01-Sep-2005	1,182	14.7	32.3	15.4	(7.7)
15-Jun-2005	UGC Holdings	Liberty Media	53.6	17-Jan-2005	3,481	(0.6)	(0.3)	0.3	(12.1)
02-Dec-2004	Cox Communications	Cox Enterprises Inc	68.0	02-Aug-2004	8,532	16.0	26.0	8.6	(13.4)
23-Jun-2003	Hotels.com	USA Interactive	68.0	09-Apr-2003	1,116	14.3	14.3	0.0	(17.0)
20-Mar-2002	Intimate Brands Inc	Limited Inc	83.7	04-Feb-2002	1,580	10.2	13.1	2.6	3.8
01-Oct-2001	Westfield America Inc	Westfield America Trust	77.5	15-Feb-2001	268	12.5	12.5	0.0	4.8
21-Feb-2001	Infinity Broadcasting	Viacom Inc	62.4	14-Aug-2000	16,986	12.2	12.2	0.0	(3.5)
02-Jan-2001	AXA Financial Inc	AXA Group	60.3	30-Aug-2000	14,096	2.4	4.6	2.1	(0.2)
15-Sep-2000	Vastar Resources Inc	BP Amoco PLC	81.9	16-Mar-2000	1,592	12.5	31.5	16.9	(3.9)
12-Sep-2000	CareInsite Inc	Healtheon/WebMD Inc	67.4	14-Feb-2000	1,763	5.3	5.3	0.0	(18.8)
26-Jun-2000	Hartford Life	Hartford Fin Svcs Group	81.5	27-Mar-2000	1,308	3.4	18.6	14.8	(20.0)
14-Jun-2000	IXnet Inc	Global Crossing	73.0	18-Feb-2000	854	17.9	17.9	0.0	13.8
20-Apr-2000	Travelers Property Casualty	Citigroup	85.0	22-Mar-2000	2,397	35.3	36.7	1.1	0.5
	High					**35.3%**	**44.7%**	**26.7%**	**13.8%**
	Mean					**12.4**	**20.6**	**7.3**	**(8.8)**
	Median					**12.5**	**16.4**	**2.4**	**(7.9)**
	Low					**(0.6)**	**(0.3)**	**0.0**	**(43.9)**
Less Than 50% Owned Prior to Transaction									
Withdrawn	Cablevision Systems Corp	Management	22.5%	08-Oct-2006	22,569	13.7%	52.7%	34.3%	(9.8)%
20-Apr-2006	Chiron Corp	Novartis AG	42.0	01-Sep-2005	6,339	9.8	31.7	20.0	(13.0)
08-Aug-2003	Expedia	USA Interactive	46.5	31-May-2002	6,745	1.6	35.8	33.6	(8.5)
20-Dec-2001	BancWest Corp.	BNP Paribas	55.0	06-May-2001	2,402	40.1	40.1	0.0	28.4
15-Jun-2001	Sodexho Marriott Services	Sodexho Alliance SA	48.0	25-Jan-2001	2,168	8.5	28.6	18.5	(43.7)
	High					**40.1%**	**52.7%**	**34.3%**	**28.4%**
	Mean					**14.7**	**37.8**	**21.3**	**(9.3)**
	Median					**9.8**	**35.8**	**20.0**	**(9.8)**
	Low					**1.6**	**28.6**	**0.0**	**(43.7)**

Goldman Sachs

Weighted Average Cost of Capital Analysis

As of 20-Feb-2009

Selected Comparables

Company	Market Equity	Predicted Equity Beta (1)	Adjusted Asset Beta
Francis	$91,362	0.70	0.70
Amgen	59,354	0.66	0.65
Biogen Idec	15,095	0.78	0.78
Celgene	24,806	0.91	0.91
Genzyme	19,358	0.67	0.67
Gilead	45,526	0.95	0.95
Mean		0.79	0.79
Median		0.78	0.78

WACC Calculation

Risk Free Rate (2)	3.8%
Median Comparables Asset Beta	0.78
Francis Net Debt / Market Equity (3)	0.0%
Assumed Tax Rate (4)	36%
Predicted Equity Beta	0.78
Equity Risk Premium (5)	5.1%
Cost of Equity	7.8%
Cost of Debt	5.0%
After-Tax Cost of Debt	3.2%
WACC	7.8%

WACC Sensitivity Table

Equity Risk Premium	Risk Free Rate (%) 3.3%	3.8%	4.3%	4.8%	5.3%
4.1%	6.5%	7.0%	7.5%	8.0%	8.5%
5.1%	7.3%	7.8%	8.3%	8.8%	9.3%
6.1%	8.0%	8.5%	9.0%	9.5%	10.0%
7.1%	8.8%	9.3%	9.8%	10.3%	10.8%

WACC Sensitivity Table

Equity Risk Premium	Equity Beta 0.73	0.78	0.83	0.88	0.93
4.1%	6.8%	7.0%	7.2%	7.4%	7.6%
5.1%	7.5%	7.8%	8.0%	8.3%	8.5%
6.1%	8.2%	8.5%	8.8%	9.2%	9.5%
7.1%	9.0%	9.3%	9.7%	10.0%	10.4%

Source: Company filings, Ibbotson and Bloomberg
(1) Bloomberg 5-year weekly predicted betas.
(2) Yield on 30-year 5 1/4% U.S. Treasury due 2028 as of 20-Feb-2009.
(3) Francis net debt/market equity as of 31-Dec-2008; assumed to be zero if net debt is negative. Fully diluted market cap as of 20-Feb-2009.
(4) Assumed tax rate per Francis management.
(5) U.S. Equity Risk Premium as of year-end 2007 per Ibbotson data.

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Pfizer's Acquisition of Wyeth

Goldman Sachs Acted as Lead Financial Advisor to Pfizer

Announced on 26-Jan-2009

Pfizer
Wyeth

Transaction Highlights

- On 26-Jan-2009, Pfizer (PFE) and Wyeth (WYE) announced a definitive agreement for Pfizer to acquire Wyeth
- Pfizer will acquire the outstanding common stock of Wyeth for $33.00 in cash and 0.985 of a share of Pfizer common stock per Wyeth share
- This represents an implied value of approximately $50 per share, or total equity value of $68bn / enterprise value of $64bn
  - A premium of 29% to the undisturbed Wyeth closing price of $38.83 on 22-Jan-2009
  - A premium of 41% to the average Wyeth closing price for 90 calendar days preceding 22-Jan-2009
- This is the second largest U.S. healthcare deal ever
- Goldman Sachs, Bank of America Merrill Lynch, and J.P. Morgan advised Pfizer; Morgan Stanley and Evercore advised Wyeth

Strategic Rationale

- The transaction creates a premier global biopharmaceutical company that is one of the most diversified in the healthcare industry
  - The deal represents a unique opportunity for Pfizer to diversify its business and acquire attractive strategic assets, with approximately 40% of 2012E revenues generated from outside of small molecules
- The acquisition establishes a company with leadership in:
  - Human, Animal and Consumer Health
  - Primary and Specialty Care
  - Vaccines, Biologics and Small Molecules
  - Developed and Developing Markets

Transaction Statistics

Transaction Value	$64bn
Consideration Type	66% Cash / 34% Stock
Transaction Value / 2009E IBES Revenue	2.8x

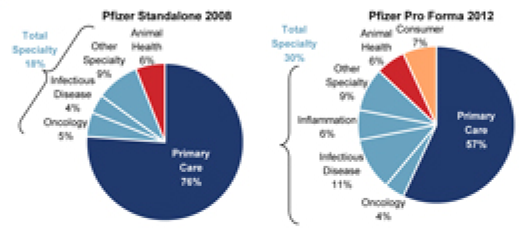
Overview of Pfizer

- Pfizer is the world's largest research-based biomedical and pharmaceutical company
- Pfizer currently has approximately 85,000 employees in more than 150 countries working to discover, develop, manufacture and deliver quality, safe and effective prescription medicines to patients and animals

Overview of Wyeth

- Wyeth discovers, develops, manufactures, distributes and sells a diversified line of products in three primary businesses:
  - Wyeth Pharmaceuticals – key products include Effexor, Prevnar, Enbrel, Zosyn and Premarin
  - Wyeth Consumer Healthcare – key products include Advil, Robitussin, Centrum, Preparation H and Chapstick
  - Fort Dodge Animal Health – key areas include vaccines, pharmaceuticals, parasite control and growth implants

Pro Forma Therapeutic Revenue Diversification[1]



Source: Public filings, press release

[1] *As per company investor relations presentation.*

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Selected Analyst Commentary Regarding Tender Offer
Francis

Broker	Date	Commentary
Citi	11-Feb-2009	■ "Based on our analysis and survey, we believe James' **tender offer will be unsuccessful and should be extended beyond Mar 12. We do not recommend tendering shares at $86.50** since we see little downside in the near term and potential sweetening of the offer possibly before Mar 12. Based on our analysis of the survey, **we believe that at $97/share, investors will be willing to tender the stock before the NSABP C-08 data is released in mid-April.**"
Cowen	10-Feb-2009	■ "This official offer is about a week early, which **reflects James' eagerness to close this deal** before the results of the Avastin C-08 study in April, and take advantage of current market conditions."
Morgan Stanley	10-Feb-2009	■ "We found several aspects of James' proxy interesting, most supporting our view that: 1) **investors will likely demand a higher price to complete this deal** in front of adjuvant Avastin data; and 2) the **bid may not fall significantly if the trial fails** (although there may be periods of uncertainty)."
BMO	09-Feb-2009	■ "**We do not believe that a majority of remaining shareholders will tender their shares at the current offer because the offer simply does not provide sufficient premium**."
JP Morgan	09-Feb-2009	■ "While the documents do provide clarity on the events thus far in the process, there is little in the filing that changes our view that **the tender at $86.50 is likely to fail and that Francis' shares should fetch a price significantly higher than the current tender offer** should the C-08 trial be successful."
Natixis	30-Jan-2009	■ "We see very little chance that James will obtain the 22.5% of the outstanding James shares through this tender, because, after the previous offer, the board committee representing minority shareholders insisted that Francis has value substantially higher than $89, and we believe most of the minority shareholders think that the buyout price should be higher. **In another sign that James does not fully believe it will succeed at this iteration, it did not even announce that it had pre-arranged financing for the tender and rather made the tender contingent upon successfully obtaining financing after the fact**."

Source: Wall Street research

Goldman Sachs

Selected Analyst Commentary Regarding James

Broker	Date	Commentary
Citi	10-Feb-2009	■ "We expected the documents on Feb 13 but they were released overnight. The tender offer is set to expire on Mar 12 at midnight EST. **We suspect this early move may be an attempt to catch the Francis advisors and special committee slightly off guard."** ■ "Despite James intending to achieve 40% of the targeted synergies regardless of the transaction and that some of Francis' defenses appear optimistic, **the initial valuation of $112 is likely to fuel resistance from the minorities, accordingly we would not be surprised if the offer had to be lifted slightly.** However, James raises valid points in its defense and we agree that no control premium need be paid to the minorities so see a large uplift as less likely." ■ "The slow emergence of James' next step after the original $89 offer appears to have been due to **Francis' delaying tactics.**"
Morgan Stanley	10-Feb-2009	■ "James' disclosure of Francis's internal financial projections in its tender document could **significantly unsettle some Francis shareholders,** we believe. The initial tender offer is open to March 12 2009. While we think James will struggle to fulfill non-waivable conditions of the tender at $86.50/share, it increases the probability that Francis will come to the negotiating table at a lower price than the $112/share sought by the Special Committee."
JP Morgan	05-Feb-2009	■ "Key investment concern seems to be whether (and when) James will be able to **turn superior top-line growth into good (double-digit) bottom-line growth, by delivering margin expansion"**
Societe Generale	30-Jan-2009	■ "Impact is threefold: 1) James' direct approach implies that the company is **unwilling to let Francis's independent board of directors impose the deal terms on James,** previously a key concern. 2) We would **expect more than one tender offer period to be necessary; we also would not be surprised if a negotiated agreement with Francis were reached eventually.** 3) Consummation of the transaction prior to data from the C-08 study testing Avastin in adjuvant colorectal cancer (expected between mid-April and June) looks highly unlikely."

Source: Wall Street research

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Research Price Targets and Key Themes

Francis

Broker	Date	Price Target	Price and Valuation Commentary
Morgan Stanley	12-Feb-2009	$102.00	■ "We see **four key scenarios** that could play out over the next several months- either both the James deal and Avastin in adjuvant CRC succeed, both fail or one or the other occurs and we like the risk/reward under any of these scenarios" ■ "**Deal closes after positive Avastin data in adjuvant CRC ($105-$115) |** We believe adjuvant cancer represents a significant opportunity for Avastin, with $1.5-$2bn in colorectal and >$4bn in other cancers (breast, lung). These sales would significantly increase Francis' fair value. Assuming adjuvant success and adjusting Avastin sales accordingly we estimate Avastin in adjuvant adds >$20 in value." ■ "**Adjuvant succeeds, but James deal fails to close: ($95-$100) |** We still expect meaningful upside in the event that Avastin succeeds in adjuvant cancers, but the James deal fails, as the sales opportunity is significant and can drive 11% top-line growth for the next 5 years." ■ "**Adjuvant fails, but James deal succeeds: $(80-$86.5) |** Even in the event that adjuvant fails, we do not expect James will lower its price meaningfully below its current offer of $86.50. James has stated its intentions of completing this transaction regardless of the outcome of the upcoming adjuvant trial and has also emphasized that it sees less value than Francis in the adjuvant setting, limiting downside from failure. Furthermore, shareholders have expressed disappointment with the current offer and will be unlikely to agree to a value that is meaningfully lower." ■ "**James deal and adjuvant fail: ($65-$70) |** Though we expect the initial stock reaction in this scenario will be significant, we continue to see several opportunities for growth (label expansion opportunities for nearly all key oncology products, and pipeline potential). Even in this scenario, we project top-line CAGR of 7% and expect the stock will slowly work its way back up to the $80s after an initial shock."

Source: Wall Street research

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Research Price Targets and Key Themes

Francis

Broker	Date	Price Target	Price and Valuation Commentary
Citi	11-Feb-2009	$96.00	■ "**Our $96 target price is based on 22x our fully-taxed non-GAAP 2010 EPS estimate of $4.37.** We believe Francis deserves a premium to the current group **average of 17x due to higher '09/'10 growth (18% vs. 15%)**, numerous upcoming catalysts that could unlock growth opportunities that are rare in the large cap-biotech space and support from a potential James acquisition." ■ "We apply a **2009 forward multiple to our 2010 estimates** because in 12 months investors should be willing to attribute a similar multiple to 2009 earnings."
Barclays	10-Feb-2009	$97.00	■ "We arrive at our price target by applying a **26x multiple to 2009 EPS estimate of $3.73. We believe that the 26x multiple at a 30% premium to peers more adequately reflects the aggregate upside potential from product growth**, upcoming clinical trials and potential price bump from James."
JP Morgan	09-Feb-2009	$105.00	■ **"Our target is based on a multiple of 27x our 2009 EPS estimate of $3.92.** Our target P/E is at a **premium to peers at 19x**, given a high likelihood for a raised bid from James as well as upside from several positive label expansion opportunities that are not reflected in estimates."
UBS	09-Feb-2009	$100.00	■ "Using a calculation of our original, **standalone PT & James's synergies, terminal tax benefits & elimination of opt-in cost,** we calculate a base case for a James's acquisition valuation of $100/share, our new price target (was $105)."

Source: *Wall Street research*

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Research Price Targets and Key Themes

Francis

Broker	Date	Price Target	Price and Valuation Commentary
Baird	10-Feb-2009	$100.00	■ "We place an Outperform rating on Francis shares. Large-cap biotech multiples have compressed in the last few quarters from a traditional range of 30-40X current-year EPS expectations. In that we acknowledge the compressing multiples in the biotech industry (the group currently trades near 17X 2009E EPS), **we apply a 26 multiple to our 2009 EPS estimate of $3.85 to derive our 12-month price target of $100.**"
BMO	10-Feb-2009	$85.00	■ "We do not believe that a majority of remaining shareholders will tender their shares at the current offer because the offer simply does not provide sufficient premium. We believe there is a 50% probability that Francis shares could be worth $100 if the Avastin C-08 study is positive. On the downside, we estimate a floor of $70 for Francis shares based on a high probability of a follow-up James offer post a negative C-08 outcome." ■ "**Probability adjusted value of $85 based on 50% C-08 success ($100) and 75% probability of a James offer at 15% premium of worse case price ($63).**"
Natixis	10-Feb-2009	$85.00	■ "Given Francis stock is currently in merger arbitrage, our valuation is as follows: **If the adjuvant colorectal trial fails in mid-April**, **our current 2010 EPS estimate of $4.28 will remain. Applying a 12x multiple leads to $51.00 per share. Giving a 30% takeover premium leads to a potential buyout price of $67.00 per share.** However, **if the Avastin trial succeeds,** we anticipate off-label use beginning in mid-2009. After factoring in increased Avastin sales, **our 2010 EPS estimate would be $4.54. Applying a 20x multiple leads to a valuation of $91.00 per share. Then adding a 15% premium gives a potential buyout price of $104.00 per share.** Therefore, our **$85.00 risk-adjusted target price remains as a probability adjusted arbitrage valuation.** We maintain our target price of $85.00 and HOLD rating."

Source: *Wall Street research*

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Research Price Targets and Key Themes
Francis

Broker	Date	Price Target	Price and Valuation Commentary
Bernstein	03-Feb-2009	$94.00	■ "Our $94 target price for Francis is based on the high likelihood we place on a deal between James and Francis being completed **($94 is the probability weighted average of our acquisition scenarios).** We now assign a **15% probability to no deal, and the value a year from now being $78, 15% to the deal closing at James's original bid price of $89, 30% to James raising their bid to $97 in Q1 09, 25% to James having to pay $105 after a positive C08 trial result in May and 15% to James paying $89 in May after a negative result to the C08 trial**. Our $94 target price is most easily calculated by applying a **21x multiple to our 2010 EPS estimate of $4.42."**
Rodman & Renshaw	30-Jan-2009	$90.00[1]	■ "**We reiterate our Market Outperform rating and $90 price target.** We reach our target price using a **Discounted Cash Flow (DCF) valuation.** This valuation method is more conservative than sum-of-parts valuation since it takes into account future CapEx and working capital expenses. We forecast sales and individual expenses until 2015 to calculate the free cash flow in each year. **Assuming a conservative terminal growth rate of 3% to calculate the terminal value, we discount the numbers to 2009 by using the Weighted Average Cost of Capital (WACC) of 9.8% to achieve the value of the firm. Subtracting the long-term debt of $2.48bil and adding back cash, we derive the value of equity. Dividing by the outstanding shares, we reach out target price of approximately $90. Our Sum-of-Parts valuation method gives us a price target of approximately $95 on a stand-along basis.** Adjusting for the average and median historical acquisition premiums gives us an acquisition target price range of $116 to $124 per share. However, we believe the James acquisition could occur at a revised bid in the range of $95 to $100 per share."

Source: Wall Street research
[1] *Represents price target for standalone Francis.*

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Research Price Targets and Key Themes
Francis

Broker	Date	Price Target	Price and Valuation Commentary
Jefferies	16-Jan-2009	$100.00	■ "Our $100 PT **(~7.5x estimated 2009 revenues)** is based on our estimated **minimum acceptable take-out value to Francis' independent directors and shareholders**..."
Lazard	16-Jan-2009	$98.00	■ **"Maintaining our BUY rating and price target of $98.** Our $98 price target is **31x our trailing 12-month EPS of $3.17**, including stock option expense. **Our 31x multiple reflects an average P/E for Francis within the past two years.** We base our Francis price target on last twelve month earnings to facilitate comparisons with prior M&A multiples and because our future earnings estimates contain significant retention bonus expenses. We note that the peak trading price of Francis was $99.66."
Leerink Swann	16-Jan-2009	-	■ "Applying a **25 P/E multiple to our 2009 EPS estimate of $3.58, we believe an end-of-2009 fair value for Francis is ~$72** (our end-of-2008 fair value for FRANCIS was ~$86), although we acknowledge that the James bid of $89/share will likely have greater influence on the valuation than will the underlying fundamentals."

Source: Wall Street research

Goldman Sachs

Research Price Targets and Key Themes

Francis

Broker	Date	Price Target	Price and Valuation Commentary
Oppenheimer	16-Jan-2009	$105.00	■ "Our $105 price target for Francis is based on **consensus EPS and P/Es for large-cap biotechnology companies in 2009, and our assessment of a fair takeover premium for the company**. We calculated P/E ratios for each comparable company using recent closing prices and our 2009 EPS estimates. **The resulting average P/E ratio for large-cap biotechs is 17.2x. We believe a premium 22.9x P/E multiple is appropriate for Francis given the growth prospects for Avastin and our estimate of a 14.6% 2009-2011E EPS CAGR for Francis' current base business**. By applying this multiple to our **2009 diluted EPS estimate of $3.84, we arrive at an $88 valuation for Francis, not factoring in any takeover premium for the company**... Based on **historical premiums of 25-30%** for **comparable transactions,** we believe fair takeover value for Francis is in the $102 to $110 per share range. Taking near **the midpoint of this range**, we arrive at our $105 price target for Francis."
Piper Jaffray	16-Jan-2009	$96.00[1]	■ "...our 2009 EPS changes from $3.85 to $3.73 and our 2010 EPS from $4.44 to $4.49. Our price target remain s unchanged at $96 based on **a sum-of-the-parts DCF analysis (base business $52 + Avastin adjuvant $18 + cost synergies $4 + pipeline $24 - erosion of Lucentis $2).**"
RBC	16-Jan-2009	$100.00	■ "Our price target is $100, assuming a James acquisition or positive Avastin data. Our $100 target is **25x our 2009E EPS.** We believe an acquisition in the **$95-100 range is reasonable given it is a 7-12% premium to the original bid of $89/share, and a 13 - 18% premium to the current market price.** Francis also has an all time-high price of $99 (November 2005)."

Source: Wall Street research
[1] Represents price target for standalone Francis.

Goldman Sachs

Selected Quotes Regarding James Financing

Quotes from James:

"James will also seek to sell bonds in European debt markets and raise as much as $10 billion in commercial paper following the sale in the U.S. The company has no plans to return to the U.S. bond market in 2009."
—Erich Hunziker, 17-Feb-2009

"We are very confident that we can get financing in place as soon as we need, It will be a mixture of various tools such as bonds, cash on hand, commercial paper, bank financing, and we would approach first the bond markets,"
—Severin Schwan, 06-Feb-2009

Quotes from Analysts and Press:

"Investors are willing to say yes because it's James... They are giving terms upfront and trying to get the paper straight into the hands of investors. Although they're using the banks as intermediaries, they're saying we don't need them to house this on their balance sheet indefinitely."
—Icap Plc as quoted from Bloomberg, 19-Feb-2009

"Borrowing all that money is a pretty bold move, given the fact that Francis and James seem to be nowhere near agreeing on a price for the deal — James' current tender offer is $86.50 a share, while Francis officials have previously asked for $112… The WSJ called the offering a record-breaker, surpassing an $11 billion offer from GE in 2002."
—Wall Street Journal, 19-Feb-2009

"James took advantage of the appetite among U.S. investors for debt issued by financially strong companies with investment-grade credit ratings."
—Wall Street Journal, 19-Feb-2009

Source: Wall Street research, Factiva

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Goldman Sachs

Financing Details: Pfizer's Acquisition of Wyeth

Goldman Sachs Acted as Lead Financial Advisor to Pfizer

Pfizer

Wyeth

Announced on 26-Jan-2009

Transaction Highlights

- On 26-Jan-2009, Pfizer (PFE) and Wyeth (WYE) announced a definitive agreement for Pfizer to acquire Wyeth
- Pfizer will acquire the outstanding common stock of Wyeth for $44.93bn of cash, including a $22.50bn 364-Day Senior Unsecured Bridge Loan, and $22.89bn of Pfizer common stock
- This represents an implied value of approximately $50.19 per share, or total equity value of $67.81bn
- Goldman Sachs, J.P. Morgan, Bank of America Merrill Lynch, Citi and Barclays are acting as Joint Bookrunners and Joint Lead Arrangers

Summary Key Terms and Conditions

Borrower	Pfizer Inc.
Facility	364-Day Senior Unsecured Single Draw Bridge
Exp. Corp. Credit Rating	AA(stable)/A1(stable) and A-1+(conf)/P-1(aff)
Size	$22.50bn
Initial Lead Arrangers	GS, JPM, BoAML, Citi, Bar
Guarantors	Borrowers' domestic subsidiaries
Pricing	L + 300.0bps with 50.0bps step-ups per quarter (subject to a ratings based grid)
Commitment Fee	37.5bps (subject to a ratings based grid)
Mandatory Prepayments	Asset Sales, Equity Offerings, Indebtedness
Financial Covenant	Debt / EBITDA
Extension Option	$4.50bn for 3 months and $2.25bn for next 3 months. 200bps fee for each extension
Conditions Precedent	Pfizer MAE, Wyeth MAE, Minimum Ratings of A2(stable)/A(stable) and A-1(conf)/P-1(aff)

Duration Fees (Days from Funding; calculated on Outstanding Amount)	Amount	90 Days	180 Days	270 Days
	≥$12.5bn	150.0bps	200.0bps	300.0bps
	<$12.5bn but ≥ $7.5bn	100.0bps	150.0bps	200.0bps
	<$7.5bn	75.0bps	125.0bps	175.0bps

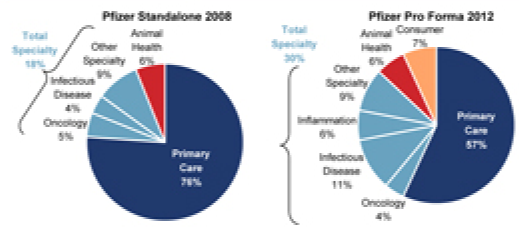
Overview of Pfizer

- Pfizer is the world's largest research-based biomedical and pharmaceutical company
- Pfizer currently has approximately 85,000 employees in more than 150 countries working to discover, develop, manufacture and deliver quality, safe and effective prescription medicines to patients and animals

Overview of Wyeth

- Wyeth discovers, develops, manufactures, distributes and sells a diversified line of products in three primary businesses:
  - Wyeth Pharmaceuticals – key products include Effexor, Prevnar, Enbrel, Zosyn and Premarin
  - Wyeth Consumer Healthcare – key products include Advil, Robitussin, Centrum, Preparation H and Chapstick
  - Fort Dodge Animal Health – key areas include vaccines, pharmaceuticals, parasite control and growth implants

Pro Forma Therapeutic Revenue Diversification[1]



Source: Public filings, press release

[1] As per company investor relations presentation.

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James $16.5 Billion Bond Offering

19-Feb-2009

- James priced a 6-part $16.5 billion investment grade bond offering
- At the end of last month, Franz Humer outlined a plan to access the bond, commercial paper and the bank loan markets to finance the takeover
- Largest single currency bond deal done in the corporate markets in history

Pricing:

$3.0 billion	1-year FRNs priced at 3ML+100	(at price guidance)
$1.25 billion	2-year FRNs priced at 3ML+200	(at price guidance)
$2.5 billion	3-year notes priced at T+335bps (4.50% coupon)	(in the range of price guidance)
$2.75 billion	5-year notes priced at T+335bps (5.00% coupon)	(in the range of price guidance)
$4.5 billion	10-year notes priced at T+345bps (6.00% coupon)	(in the range of price guidance)
$2.5 billion	30-year notes priced at T+365bps (7.00% coupon)	(in the range of price guidance)

Ratings:

- James is currently rated Aa1(credit watch negative)/AA-(stable)
  - Moody's has said if the transaction goes through that James' "long-term rating would likely migrate to the A category, but not lower than mid-A."
  - S&P cut James' ratings in July to AA- from AA+ on the announcement of the potential acquisition

Key Takeaways:

- James is expected to continue to pre-fund this potential transaction, apparently roadshowing in Europe this week, with the expectation of a Euro deal in the near term
- The Investment Grade bond market is open and available in size for the right issuers at the right price

Goldman Sachs

New Investment Grade Bridge Market Dynamics

Issues for Consideration

- Given substantial market dislocation in the bank market, bridge terms for Investment Grade companies continue to evolve over recent months
- In light of bank concerns related to holding large funded bridges on balance sheet for extended periods of time, provisions almost never seen in Investment Grade bridges have become common in "today's market." Items include:
  - Funding fees to incent borrowers to pre-fund acquisitions in the capital markets
  - Duration fees and coupon step-ups to incent borrowers to reduce commitments post funding
  - Flex provisions to ensure a successful syndication
    - Interest rate and structural flex
- Coupon of bridge loan representative of actual credit risk, not necessarily existing credit lines

Bridge Facility Fee Components

Type	Stage Payable
Commitment Fee	■ At time of commitment
Closing / Funding Fee	■ Incents borrowers to pre-fund acquisitions in the capital markets ■ At closing and generally on amount funded at Close
Duration Fees	■ Paid at the end of each 3 month interval ■ Can be considered as part of the overall bridge compensation to lenders ■ Incents borrowers to reduce commitments post funding

Exhibit (c)(8)

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Francis Special Committee Discussion Materials

Goldman, Sachs & Co.
11-Mar-2009

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Table of Contents

I. Summary Overview

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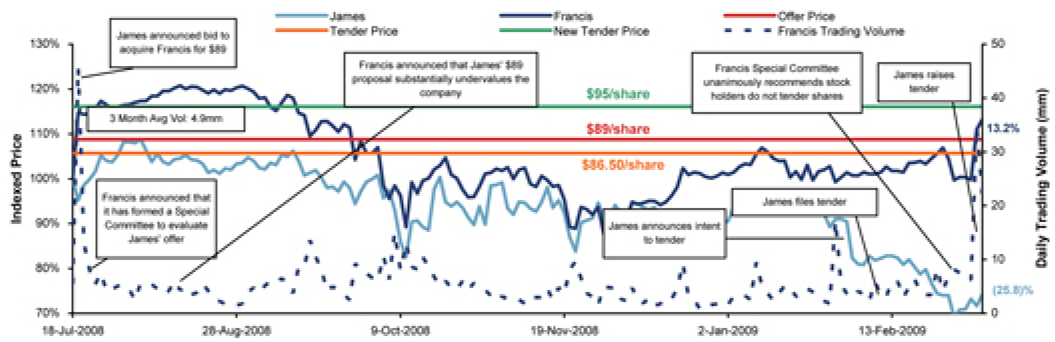
Project Nobel Market Tracker

	09-Mar-2009	Change from 1 Day Prior		Change Since 18-Jul-2008	1 Week	1 Month	3 Month	2-Jan-2008
Francis	$92.63	$1.77	1.9 %	13.2 %	13.5 %	12.0 %	24.5 %	37.4 %
BTK	541.77	(22.10)	(3.9)	(31.9)	(4.2)	(24.0)	(10.7)	(31.2)
S&P 500	676.53	(6.85)	(1.0)	(46.3)	(3.5)	(22.2)	(22.8)	(53.3)
AMEX Pharmaceutical Index	218.63	(2.48)	(1.1)	(28.7)	(0.2)	(18.3)	(15.0)	(35.1)
James	CHF133.30	CHF4.50	3.5 %	(25.8)%	7.4 %	(10.3)%	(19.1)%	(30.6)%
Swiss Exchange	4,307.67	(3.94)	(0.1)	(36.9)	(2.9)	(16.5)	(22.1)	(48.2)
FTSE 350 Pharma & Biotech	6,751.28	26.73	0.4	(10.9)	(1.8)	(17.0)	(14.7)	(14.1)
James (ADR)	$28.63	$0.93	3.4	(22.3)	9.7	(10.2)	(17.3)	(33.7)
Currency Exchange Rate (CHF / $)	1.1583	0.0006	0.05 %	13.25 %	(1.45)%	(0.50)%	(3.75)%	3.47 %



Source: FactSet as of 09-Mar-2009

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II. Public Market Perspectives

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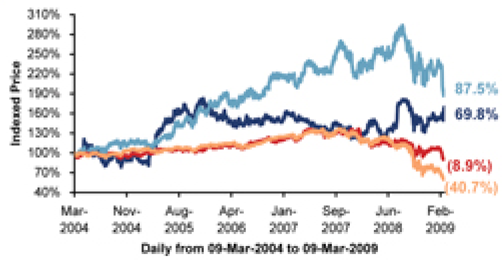
Relative Stock Price Performance History

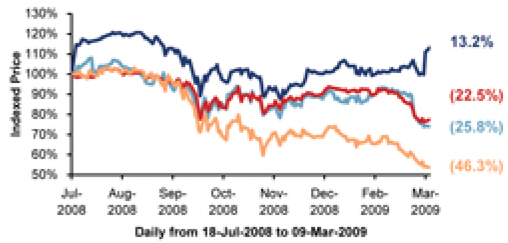
Francis vs. Large Cap Biotech, Large Pharma and S&P 500 Index

5 Years

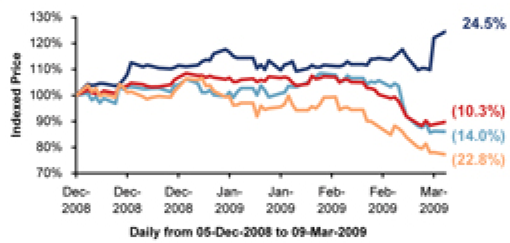


1 Year

Since Offer



3 Months



Francis   Large Cap Biotech [1]   Large Pharma [2]   S&P 500 Index

Source: FactSet as of 09-Mar-2009

[1] Large Cap Biotech Composite includes: Amgen, Biogen Idec, Celgene, Genzyme and Gilead.

[2] Large Pharma Composite includes: Abbott, AstraZeneca, Bayer, Bristol-Myers Squibb, Eli Lilly, GSK, JNJ, Merck, Novartis, Novo Nordisk, Pfizer, Sanofi-Aventis, Schering-Plough and Wyeth.

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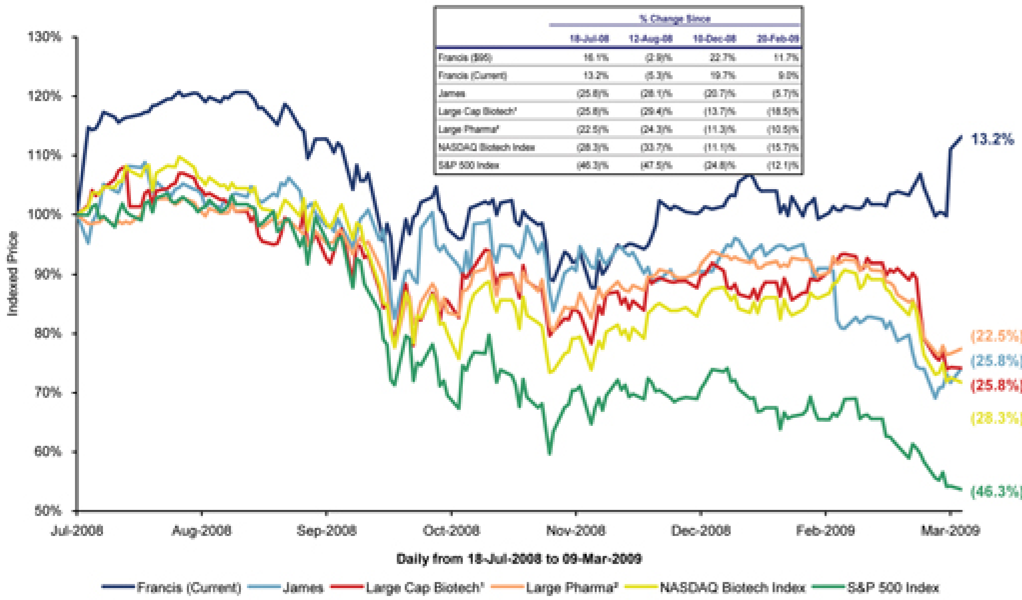
Relative Stock Price Performance History

Francis vs. James, Large Cap Biotech, Large Pharma and Other Indices since 18-Jul-2008



	% Change Since			
	18-Jul-08	12-Aug-08	10-Dec-08	20-Feb-09
Francis ($95)	16.1%	(2.9)%	22.7%	11.7%
Francis (Current)	13.2%	(5.3)%	19.7%	9.0%
James	(25.8)%	(28.1)%	(20.7)%	(5.7)%
Large Cap Biotech[1]	(25.8)%	(29.4)%	(13.7)%	(18.5)%
Large Pharma[2]	(22.5)%	(24.3)%	(11.3)%	(10.5)%
NASDAQ Biotech Index	(28.3)%	(33.7)%	(11.1)%	(15.7)%
S&P 500 Index	(46.3)%	(47.5)%	(24.8)%	(12.1)%

Source: FactSet as of 09-Mar-2009

[1] *Large Cap Biotech Composite includes: Amgen, Biogen Idec, Celgene, Genzyme and Gilead.*

[2] *Large Pharma Composite includes: Abbott, AstraZeneca, Bayer, Bristol-Myers Squibb, Eli Lilly, GSK, JNJ, Merck, Novartis, Novo Nordisk, Pfizer, Sanofi-Aventis, Schering-Plough and Wyeth.*

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Relative Stock Price Performance

Francis vs. Top 20 Largest US Companies by Market Cap as of 09-Mar-2009

	Market Cap	18-Jul-2008		12-Aug-2008		10-Dec-2008		20-Feb-2009		09-Mar-2009
Company	($ mm)	Price	% Change	Price	% Change	Price	% Change	Price	% Change	Price
Francis	$97,578	$81.82	13.2%	$97.85	(5.3)%	$77.40	19.7%	$85.02	9.0%	$92.63
Exxon Mobil	319,081	81.54	(20.8)%	76.88	(16.0)%	80.07	(19.4)%	71.23	(9.3)%	64.57
Wal-Mart Stores	186,360	57.92	(18.0)%	59.25	(19.8)%	55.25	(14.0)%	50.02	(5.0)%	47.51
Microsoft	134,692	25.86	(41.4)%	28.12	(46.1)%	20.61	(26.5)%	18.00	(15.8)%	15.15
Procter & Gamble	129,484	63.67	(30.6)%	70.34	(37.2)%	59.12	(25.3)%	50.25	(12.1)%	44.18
Johnson & Johnson	128,887	67.82	(31.3)%	71.70	(35.0)%	57.80	(19.4)%	54.65	(14.7)%	46.60
AT&T	128,003	32.12	(32.4)%	31.65	(31.4)%	28.08	(22.6)%	23.58	(7.9)%	21.72
Chevron	116,826	86.05	(32.3)%	83.56	(30.3)%	78.44	(25.7)%	65.07	(10.4)%	58.28
Berkshire Hathaway	113,351	117,290.00	(37.6)%	116,800.00	(37.3)%	104,590.00	(30.0)%	77,000.00	(4.9)%	73,195.00
IBM	112,003	129.89	(35.7)%	125.22	(33.3)%	82.86	0.7%	88.79	(6.0)%	83.48
Google	91,716	481.32	(39.6)%	502.61	(42.1)%	308.82	(5.8)%	346.45	(16.0)%	290.89
Coca-Cola	89,693	50.03	(22.5)%	54.79	(29.3)%	45.31	(14.5)%	42.84	(9.5)%	38.75
Pfizer	85,193	18.32	(31.1)%	19.72	(36.0)%	16.57	(23.8)%	13.71	(7.9)%	12.63
Cisco Systems	79,500	21.66	(37.1)%	24.50	(44.4)%	17.33	(21.4)%	15.08	(9.7)%	13.62
General Electric	78,316	28.00	(73.5)%	29.74	(75.1)%	18.00	(58.8)%	9.38	(21.0)%	7.41
Verizon Communications	74,366	35.45	(26.1)%	34.82	(24.8)%	32.74	(20.0)%	28.81	(9.1)%	26.18
Apple	74,014	165.15	(49.7)%	176.73	(53.0)%	98.21	(15.4)%	91.20	(8.9)%	83.11
Abbott Laboratories	72,092	57.58	(19.0)%	58.88	(20.8)%	51.52	(9.5)%	54.03	(13.7)%	46.65
Pepsico	71,294	65.41	(30.0)%	69.62	(34.2)%	53.01	(13.6)%	51.45	(11.0)%	45.81
Oracle	69,890	21.18	(34.6)%	22.90	(39.5)%	17.39	(20.4)%	16.56	(16.4)%	13.85
High			**(18.0)%**		**(16.0)%**		**0.7%**		**(4.9)%**	
Mean			**(33.9)%**		**(36.1)%**		**(20.3)%**		**(11.0)%**	
Median			**(32.3)%**		**(35.0)%**		**(20.0)%**		**(9.7)%**	
Low			**(73.5)%**		**(75.1)%**		**(58.8)%**		**(21.0)%**	

Source: Capital IQ as of 09-Mar-2009
Note: Francis not included in High, Mean, Median and Low.

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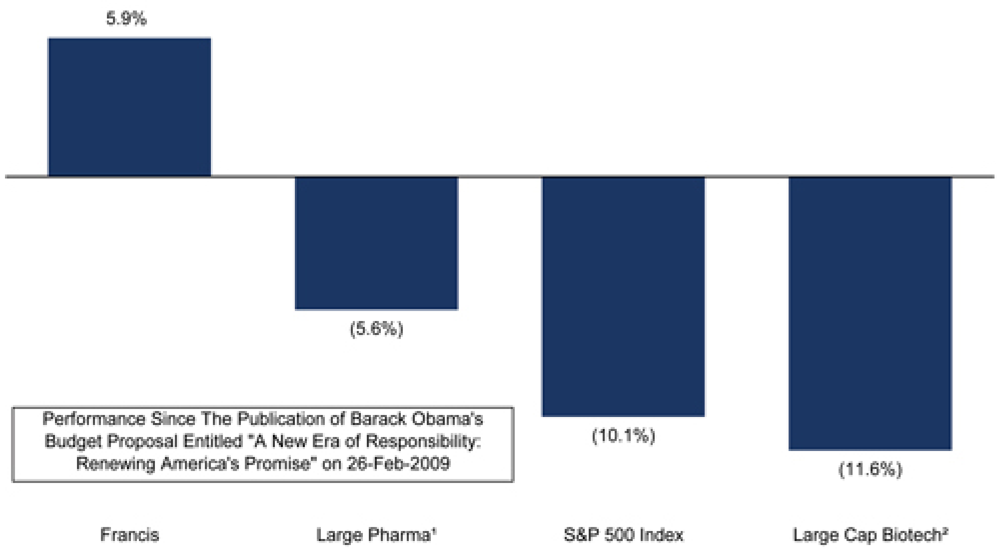
Healthcare Companies Have Fallen Since the Publication of Barack Obama's Healthcare Budget Reform



Source: FactSet as of 09-Mar-2009
[1] Large Pharma Composite includes: Abbott, AstraZeneca, Bayer, Bristol-Myers Squibb, Eli Lilly, GSK, JNJ, Merck, Novartis, Novo Nordisk, Pfizer, Sanofi-Aventis, Schering-Plough and Wyeth.
[2] Large Cap Biotech Composite includes: Amgen, Biogen Idec, Celgene, Genzyme and Gilead.

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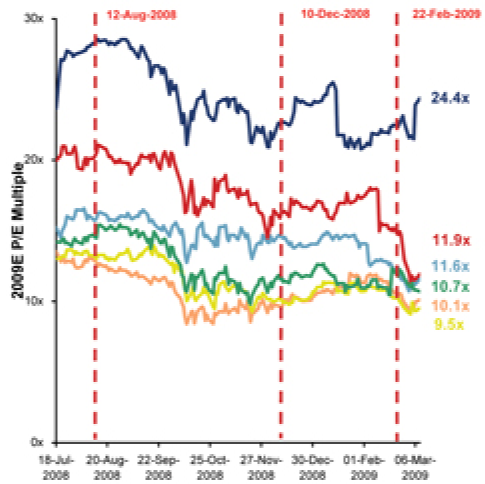
Relative P/E Performance History

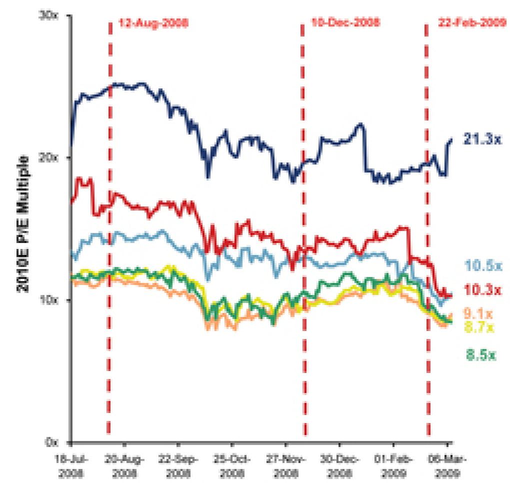
Francis vs. James, Large Cap Biotech, Large Pharma and S&P 500 Index

From 18-Jul-2008 to 09-Mar-2009

2009E P/E



2010E P/E



Francis — James — Large Cap Biotech[1] — U.S. Large Pharma[2] — Europe Large Pharma[3] — S&P 500 Index

Source: FactSet as of 09-Mar-2009
[1] *Large Cap Biotech Composite includes: Amgen, Biogen Idec, Celgene, Genzyme and Gilead.*
[2] *U.S. Large Pharma Composite includes: Abbott, Bristol-Meyers Squibb, Eli Lilly, Johnson & Johnson, Merck, Pfizer, Schering-Plough and Wyeth.*
[3] *European Large Pharma Composite includes: AstraZeneca, Bayer, GlaxoSmithKline, Merck KGaA, Novartis, Novo Nordisk and Sanofi-Aventis.*

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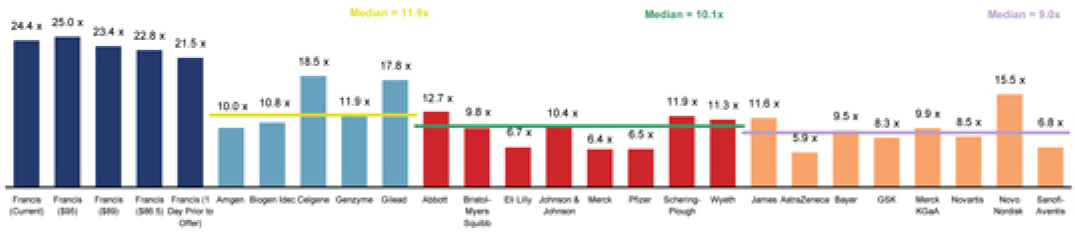
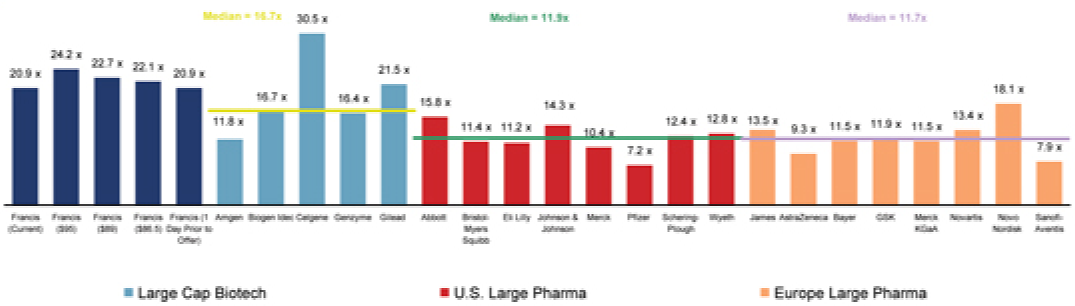
Comparison of Public Trading Multiples

Francis vs. Large Cap Biotech and Large Pharma

2009 P/E (Current)



2009 P/E (As of 18-Jul-2008)



Source: IBES median estimates as of 09-Mar-2009 and 18-Jul-2008

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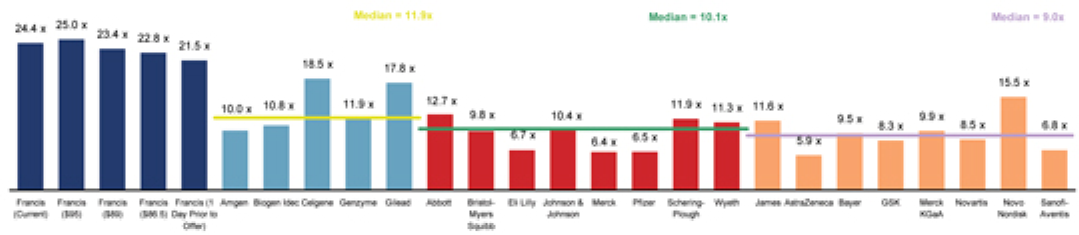
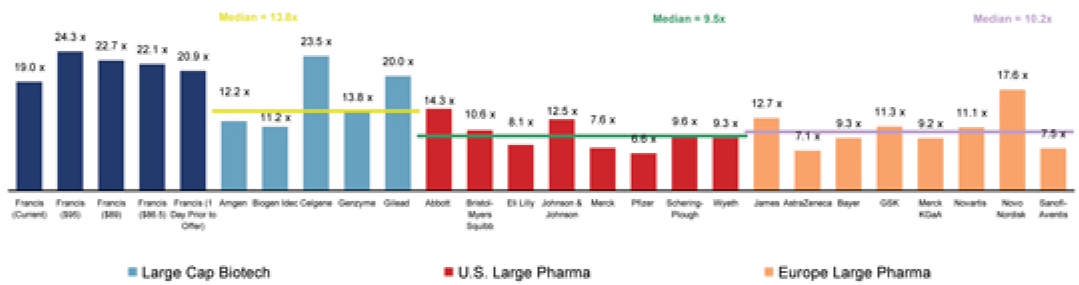
Comparison of Public Trading Multiples

Francis vs. Large Cap Biotech and Large Pharma

2009 P/E (Current)



2009 P/E (As of 10-Dec-2008 Meeting)



Source: IBES median estimates as of 09-Mar-2009 and 05-Dec-2008

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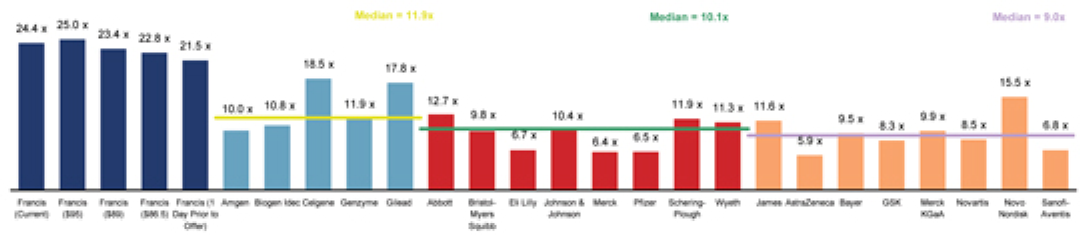
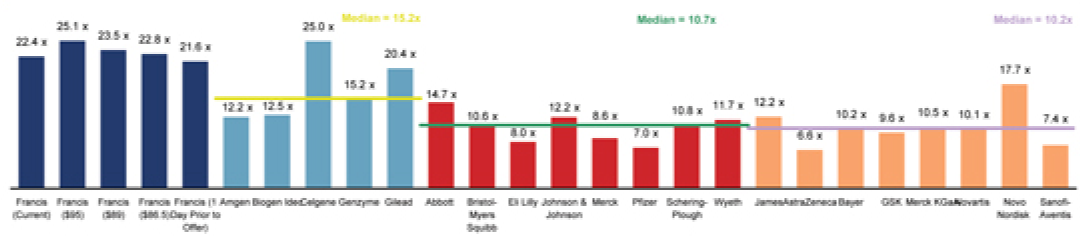
Comparison of Public Trading Multiples

Francis vs. Large Cap Biotech and Large Pharma

2009 P/E (Current)



2009 P/E (As of 22-Feb-2009 Meeting)



■ Large Cap Biotech ■ U.S. Large Pharma ■ Europe Large Pharma

Source: IBES median estimates as of 09-Mar-2009 and 20-Feb-2009

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Francis Research Analyst Price Targets

($ Per Share)

Date Updated	Bank	Price Target Before Announcement	As of 10-Dec-2008[1] Presentation	Current Price Target	Deal Price Speculation
09-Mar-2009	Barclays Capital	75	105	97	64-110
09-Mar-2009	Jefferies & Company	78	100	93	93
09-Mar-2009	Morgan Stanley	94	105	97	65-115
09-Mar-2009	Natixis	76	85	97	95-100
06-Mar-2009	Baird	87	100	100	100
06-Mar-2009	Bernstein Research	86	97	92	78-100
06-Mar-2009	BMO Capital Markets	82	104	88	63-100
06-Mar-2009	Citi	N/A	96	92	N/A
06-Mar-2009	JP Morgan	100	105	105	105
06-Mar-2009	Oppenheimer	88	105	105	102-110
06-Mar-2009	RBC Capital	84	100	100	95-100
06-Mar-2009	Rodman & Renshaw	90	90	90	95-100
06-Mar-2009	UBS	92	N/A	100	N/A
03-Mar-2009	Deutsche Bank	N/A	97	97	97
03-Mar-2009	Lazard	90	98	98	78-105
03-Mar-2009	Piper Jaffray	N/A	N/A	112	N/A
	High	$100	$105	$112	$115
	Mean	88	99	98	96[2]
	Median	88	99	98	98[2]
	Low	76	85	88	63

Source: Wall Street research
[1] *Price targets are latest as of 10-Dec-2008.*
[2] *Mean and median based on the midpoint of the deal price speculation range.*

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Francis Top Institutional Shareholders Composition

As of 31-Jan-2009		% O/S
James Holdings	587,189,380	55.76%
Non-James Holding	465,784,657	44.24%
Shares Outstanding	1,052,974,037	

As of 02-Mar-2009	% O/S of Minority
Hedge Fund / Arb	13.3%
Non-Hedge Fund / Arb	86.7%

Top Shareholders (Sorted by "Current Position")

Rank	Institution Name	Position 18-Jul-2008 (Based on 30-Jun-2008 13F Filings)	Position 13-Feb-2009	Current Position 20-Feb-2009	Change vs. 30-Jan-2009	Change vs. 18-Jul-2008	Avg. Cost	Current %O/S of Total	Current %O/S of Minority
1	Fidelity Mgmt. & Research	41,806,660	55,132,951	53,132,951	(2,000,000)	11,326,291	$66.85	5.05%	11.41%
2	Marsico Capital	27,214,792	25,858,981	25,858,981	0	(1,355,811)	43.59	2.46	5.55
3	AllianceBerstein (AXA)	17,112,145	21,083,000	20,583,000	(500,000)	3,470,855	75.29	1.95	4.42
4	T. Rowe Price	17,256,456	18,632,149	16,632,149	(2,000,000)	(624,307)	76.93	1.58	3.57
5	Barclays Global	15,306,210	14,129,037	14,129,037	0	(1,177,173)	54.51	1.34	3.03
6	Capital Research & Mgmt.	15,350,000	10,716,935	10,716,935	0	(4,633,065)	65.05	1.02	2.30
7	Jennison Associates	10,779,817	10,179,817	10,179,817	0	(600,000)	68.79	0.97	2.19
8	Vanguard Group	9,056,406	9,808,157	9,808,157	0	751,751	59.28	0.93	2.11
9	Capital Guardian Trust	19,376,837	11,674,828	7,674,828	(4,000,000)	(11,702,009)	78.21	0.73	1.65
10	State Street Global Advisors	6,597,198	7,229,900	7,229,900	0	632,702	49.72	0.69	1.55
11	Wellington Mgmt	15,892,746	6,471,555	6,471,555	0	(9,421,191)	67.45	0.61	1.39
12	ClearBridge Advisors	9,712,089	6,246,738	6,246,738	0	(3,465,351)	33.14	0.59	1.34
13	Delaware Inv. Advisors	9,135,610	5,714,850	5,714,850	0	(3,420,760)	78.18	0.54	1.23
14	TIAA-CREF Asset Mgmt.	7,281,457	5,687,388	5,687,388	0	(1,594,069)	65.24	0.54	1.22
15	Janus Capital Mgmt.	7,796,255	4,722,419	4,722,419	0	(3,073,836)	48.86	0.45	1.01
16	Waddell & Reed	2,382,370	3,911,504	3,911,504	0	1,529,134	85.73	0.37	0.84
17	INTECH Investment Mgmt	432,550	3,016,880	3,616,880	600,000	3,184,330	81.44	0.34	0.78
18	Adage Capital Advisors	0	3,606,221	3,606,221	0	3,606,221	86.26	0.34	0.77
19	GE Asset Management	3,788,047	3,501,946	3,501,946	0	(286,101)	76.95	0.33	0.75
20	Franklin Advisors	2,965,748	3,458,615	3,458,615	0	492,867	59.21	0.33	0.74
21	Paulson & Co.	0	3,424,400	3,424,400	0	3,424,400	88.93	0.33	0.74
22	PRIMECAP Management	2,949,486	3,333,186	3,333,186	0	383,700	73.73	0.32	0.72
23	TCW Asset Mgmt.	4,703,902	3,222,631	3,222,631	0	(1,481,271)	39.65	0.31	0.69
24	Walter Scott & Partners	4,070,591	3,214,865	3,214,865	0	(855,726)	69.76	0.31	0.69
25	Orbimed Advisors	2,716,480	3,065,600	3,065,600	0	349,120	53.54	0.29	0.66
	Top 25 Institutional Shareholders	253,683,852	247,044,553	239,144,553	(7,900,000)	(14,539,299)	$65.85	22.71%	51.34%

Source: Bloom Partners
Note: Capital Research Global and Capital World Investors have been combined. Walter Scott & Partners is Scotland-based investment firm. As received by Francis on 06-Mar-2009.

III. Financial Analysis

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Financial Analysis Overview

Summary

($ Per Share)

Methodology	Equity Value Per Diluted Share (Low)	Equity Value Per Diluted Share (High)	Comments
52-Week Trading Range	$67	$99	▪ 52-Week High: $99.05 ▪ 52-Week Low: $66.80
Wall Street Equity Research Target Prices	$88	$112	▪ Wall Street High Target Price: $112.00 ▪ Wall Street Low Target Price: $88.00
Selected Public Trading Multiples (2009E P/E) – Management and IBES EPS Estimates	$53	$85	▪ Forward earnings multiple of 14 – 22x on 2009E EPS ▪ Management base case 2009E EPS of $3.88 ▪ IBES median 2009E EPS of $3.80
Present Value of Future Stock Price – P/E – Management Base Case	$58	$104	▪ Forward earnings multiple of 14 – 22x on EPS ▪ 9.0% cost of equity ▪ Management base case 2010E and 2011E EPS of $4.49 and $5.62
Present Value of Future Stock Price – P/E – C-08 Upside Case	$59	$109	▪ Forward earnings multiple of 14 – 22x on EPS ▪ 9.0% cost of equity ▪ Management base case 2010E and 2011E EPS of $4.59 and $5.88
Present Value of Future Stock Price – P/E – C-08 Downside Case	$56	$96	▪ Forward earnings multiple of 14 – 22x on EPS ▪ 9.0% cost of equity ▪ Management base case 2010E and 2011E EPS of $4.32 and $5.20
Present Value of Future Stock Price – P/E – IBES	$56	$92	▪ Forward earnings multiple of 14 – 22x on EPS ▪ 9.0% cost of equity ▪ IBES median 2010E and 2011E EPS of $4.35 and $4.99
Discounted Cash Flow – Management Base Case (2024) – Financial Sensitivities	$100	$151	▪ 2 – 4% perpetuity growth rate ▪ 8 – 10% discount rate ▪ Includes management estimates of 2015 opt-in and ESO expense
Discounted Cash Flow – Management Base Case (2018) – Financial Sensitivities	$93	$145	
Discounted Cash Flow – Management Base Case (2024) – Operating Sensitivities	$81	$141	▪ 3% perpetuity growth rate; 9% discount rate ▪ Total revenue CAGR of 4% to 8%; EBIT margin sensitivity of -9% to +3% off of 2024 management base case margins
Discounted Cash Flow – Management Base Case (2018) – Operating Sensitivities	$87	$127	
C-08 Upside Case (2024)	$105	$159	▪ C-08 trial success ▪ Increased PTS assumptions for adjuvant breast and adjuvant lung indications in development to 70%
C-08 Upside Case (2018)	$101	$160	
C-08 Downside Case (2024)	$91	$137	▪ C-08 trial failure ▪ Decreased PTS assumptions for adjuvant breast and adjuvant lung indications in development to 10%
C-08 Downside Case (2018)	$78	$117	

Source: *Francis management projections, Wall Street research and FactSet as of 09-Mar-2009*

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A. Discounted Cash Flow Analysis

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Key Assumptions of the 2008 Francis Financial Plan

Near-term

- Avastin adjuvant CRC trial (C-08)
  - Base case: 61% PTS in Q2 2009
- Price / reimbursement impacts
  - Base case assumes 3% annual price increases excluding Avastin and Lucentis
  - Avastin price increase contingent upon breast trial outcome
- 2015 James commercial agreement expiration
  - Assumes status quo type of terms
  - Management expects more favorable market terms than current (modeled separately)
- Tax rate assumptions
  - Base case assumes off-shore manufacturing tax benefits trend tax-rate to approximately 29%
- FOB Assumptions
  - Assumptions factor in number of entrants, physician acceptance and price discounts by product
- Unnamed product PTS and market opportunity
  - Assumes large and small molecule NMEs
  - Launch to filing PTS of 20% and 11%, respectively
  - Market opportunity of $1bn per NME indication (including two line extensions)

Long-term

Source: Francis management

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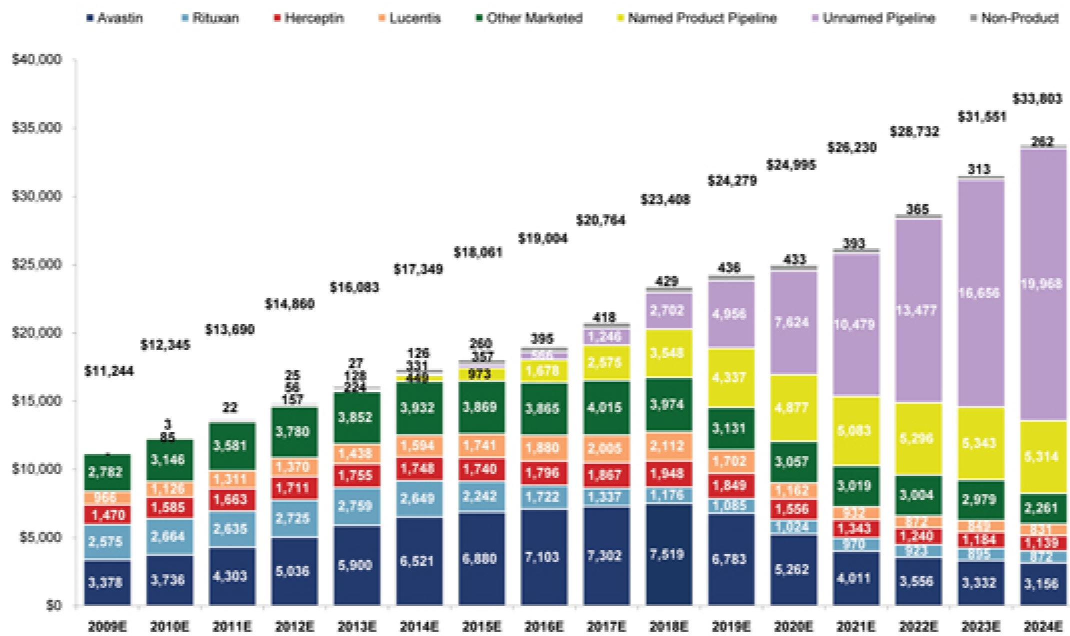
Product Sales Breakdown in the Francis 2008 Financial Plan

($ in millions)



Source: Francis 2008 Financial Plan as provided by management 16-Nov-2008

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Discounted Cash Flow Analysis of Francis

Key Assumptions

- Discounted Cash Flow analysis provides a framework to evaluate the ongoing performance of the business, but should be considered in a broader context of approaches (e.g., comparable transaction and trading multiples)
- Projections from 2009 to 2024 provided by Francis management as of 16-Nov-2008 and provided to James and Greenhill
  - Business updates to the forecast were provided by management on 09-Mar-2009 and are summarized on page 30 and included as incremental amounts to the DCF analysis
- Assumes 1,054mm basic shares outstanding, as of 06-Mar-2009
  - Current options outstanding included in share count by the treasury stock method; options schedule provided by Francis management as of 06-Mar-2009
- Financial Sensitivity Analysis:
  - Discount rates evaluated using a range of 8.0% - 10.0% based on WACC analysis
  - Terminal value evaluated using perpetuity growth rate method using a range of 2.0% - 4.0%
    - Implied P/E terminal multiple also evaluated
- Operating sensitivities flex EBIT margin by trending to -9% to +3% through 2024 in a linear incremental fashion over the forecasted period and flex revenue between incremental CAGR of -3% to +1% applied in a linear incremental fashion over the forecasted period through 2024
- Assumes 31-Mar-2009 estimated net cash of $7.7 billion based on Francis management cash flow projections
- Assumes capital expenditures and depreciation are offsetting in the terminal year
- Assumes an adjusted tax rate applied to operating income that trends from ~36% in 2009 to ~27% in 2024 terminal year, and ~36% in 2009 to ~28% in 2018, per management forecast and additional 2% benefit from California tax law changes starting in 2011
- Assumes cash flows discounted back to 31-Mar-2009 using mid-year convention
- Analysis includes impact of:
  - Future employee stock options expense: Assumes $328mm in after-tax ESO expense in 2009 with a 3.0% inflation rate and a range of 2.0% - 4.0% of growth in headcount into perpetuity
  - Changes to James / Francis marketing agreement post 2015 per management guidance on expected market rate terms: NPV of incremental 2015 opt-in derived from discounting projected product royalties from large and small molecules in the unnamed pipeline beginning in 2016, with a range of 2.0% - 4.0% perpetuity growth rate

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Summary of 2008 Francis Financial Plan

2009E – 2015E

($ in millions, except per share data)

	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2009E - 2012E CAGR	2009E - 2015E CAGR
Revenues:									
Avastin Base Case	$3,378	$3,736	$4,303	$5,036	$5,900	$6,521	$6,880	14.2%	12.6%
Rituxan	2,575	2,664	2,635	2,725	2,759	2,649	2,242	1.9%	(2.3)%
Herceptin	1,470	1,585	1,663	1,711	1,755	1,748	1,740	5.2%	2.9%
Lucentis	966	1,126	1,311	1,370	1,438	1,594	1,741	12.3%	10.3%
Other Named Products and Pipeline	2,782	3,149	3,603	3,836	3,980	4,381	4,841	11.3%	9.7%
Unnamed Base Case	-	-	-	25	27	126	260		
Non-Product	73	85	175	157	224	331	357		
Product Sales	$11,244	$12,345	$13,690	$14,860	$16,083	$17,349	$18,061		
Royalties	2,501	2,465	2,617	2,681	2,723	2,809	2,551		
Contract & Other	373	289	342	497	563	660	805		
Total Revenue	**$14,118**	**$15,099**	**$16,648**	**$18,038**	**$19,370**	**$20,817**	**$21,418**	8.5%	7.2%
Cost and Expenses:									
Cost of Sales	$1,541	$1,794	$1,872	$1,760	$1,784	$1,947	$1,969		
R&D	2,824	3,020	3,330	3,608	3,874	4,163	4,284		
MSG&A	2,233	2,183	2,321	2,432	2,495	2,692	2,828		
Profit Sharing	1,352	1,544	1,664	1,688	1,581	1,654	1,645		
Total Cost & Exp.	**$7,950**	**$8,541**	**$9,187**	**$9,488**	**$9,734**	**$10,456**	**$10,726**		
Operating Income	**$6,169**	**$6,558**	**$7,461**	**$8,550**	**$9,636**	**$10,361**	**$10,692**	11.5%	9.6%
EBITDA	**$6,676**	**$7,144**	**$8,021**	**$9,125**	**$10,213**	**$10,946**	**$11,285**	11.0%	9.1%
Other Income, Net	147	240	382	499	496	531	647		
Earnings (Pre-Tax)	**$6,316**	**$6,799**	**$7,843**	**$9,049**	**$10,132**	**$10,892**	**$11,339**	12.7%	10.2%
Taxes	2,275	2,311	2,457	2,739	3,027	3,244	3,370		
Net Income	**$4,041**	**$4,487**	**$5,386**	**$6,310**	**$7,105**	**$7,648**	**$7,969**	16.0%	12.0%
WASO	1,051	1,013	969	933	893	860	846		
EPS	**$3.85**	**$4.43**	**$5.56**	**$6.76**	**$7.96**	**$8.90**	**$9.42**	**20.7%**	**16.1%**
Growth and Margins Analysis									
Revenue Growth	-	6.9 %	10.3 %	8.3 %	7.4 %	7.5 %	2.9 %		
R&D as % of Revenue	20.0	20.0	20.0	20.0	20.0	20.0	20.0		
MSG&A as % of Revenue	15.8	14.5	13.9	13.5	12.9	12.9	13.2		
EBIT Margin	43.7	43.4	44.8	47.4	49.7	49.8	49.9		
EBITDA Margin	47.3	47.3	48.2	50.6	52.7	52.6	52.7		
EPS Growth	-	15.2	25.4	21.7	17.7	11.8	5.8		
Selected Balance Sheet Metrics									
Cash & Equivalents [1]	$10,716	$8,527	$9,912	$10,624	$11,353	$14,078	$19,818		
Total Debt	2,268	1,755	1,741	1,724	1,705	1,683	658		
Selected Cash Flow Metrics									
Depreciation	$507	$586	$559	$575	$577	$585	$594		
Capital Expenditures	(546)	(560)	(620)	(600)	(554)	(545)	(593)		
(Increase) / Decrease in Working Capital	(50)	(371)	125	(68)	(122)	(132)	(58)		

Source: Company management projections as of 16-Nov-2008

[1] *Includes short-term investments and long-term marketable securities*

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Francis 2008 Financial Plan Cash Flow Analysis

($ in millions)

	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E
Revenue	$14,118	$15,099	$16,648	$18,038	$19,370	$20,817	$21,418	$22,273
Operating Income	$6,169	$6,558	$7,461	$8,550	$9,636	$10,361	$10,692	$11,173
Taxes	(2,219)	(2,220)	(2,311)	(2,548)	(2,838)	(3,041)	(3,121)	(3,252)
Unlevered Net Income	$3,950	$4,339	$5,150	$6,002	$6,798	$7,320	$7,570	$7,920
Depreciation	$507	$586	$559	$575	$577	$585	$594	$593
CapEx	(546)	(560)	(620)	(600)	(554)	(545)	(593)	(647)
(Increase) / Decrease in Working Capital	(50)	(371)	125	(68)	(122)	(132)	(58)	(91)
Unlevered Free Cash Flow	$3,861	$3,994	$5,214	$5,909	$6,699	$7,228	$7,513	$7,776
EBITDA	$6,676	$7,144	$8,021	$9,125	$10,213	$10,946	$11,285	$11,766
YoY Revenue Growth		6.9%	10.3%	8.3%	7.4%	7.5%	2.9%	4.0%
EBIT Margin	43.7%	43.4%	44.8%	47.4%	49.7%	49.8%	49.9%	50.2%

	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	'09E - '15E CAGR	'15E - '24E CAGR	'09E - '24E CAGR
Revenue	$24,171	$26,897	$27,542	$28,398	$29,883	$32,825	$36,099	$38,764	7.2%	6.8%	7.0%
Operating Income	$12,414	$14,148	$14,450	$14,217	$14,609	$16,182	$17,970	$19,604	9.6%	7.0%	8.0%
Taxes	(3,662)	(4,223)	(4,116)	(4,095)	(4,203)	(4,756)	(5,269)	(5,732)			
Unlevered Net Income	$8,752	$9,925	$10,334	$10,122	$10,406	$11,426	$12,701	$13,872	11.5%	7.0%	8.7%
Depreciation	$594	$606	$613	$638	$625	$622	$635	$661			
CapEx	(640)	(716)	(688)	(722)	(782)	(808)	(833)	(820)			
(Increase) / Decrease in Working Capital	(222)	(228)	(126)	7	(197)	(231)	(397)	(746)			
Unlevered Free Cash Flow	$8,483	$9,588	$10,133	$10,044	$10,052	$11,010	$12,105	$12,968	11.7%	6.3%	8.4%
EBITDA	$13,007	$14,754	$15,063	$14,855	$15,234	$16,804	$18,605	$20,266	9.1%	6.7%	7.7%
YoY Revenue Growth	8.5%	11.3%	2.4%	3.1%	5.2%	9.8%	10.0%	7.4%			
EBIT Margin	51.4%	52.6%	52.5%	50.1%	48.9%	49.3%	49.8%	50.6%			

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Discounted Cash Flow Analysis of Francis

Financial Sensitivities

2024 Terminal Year

Enterprise Value

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$100,800	$103,002	$105,441	$108,136	$111,085
9.5 %	108,978	111,650	114,613	117,875	121,390
9.0 %	118,387	121,642	125,243	129,159	133,200
8.5 %	129,290	133,262	137,613	142,175	146,286
8.0 %	142,015	146,842	151,972	156,774	158,643

Equity Value Per Share

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$100.25	$102.19	$104.35	$106.74	$109.34
9.5 %	107.48	109.84	112.47	115.35	118.46
9.0 %	115.80	118.68	121.87	125.33	128.91
8.5 %	125.45	128.96	132.81	136.84	140.48
8.0 %	136.70	140.97	145.51	149.76	151.41

% of Enterprise Value in Terminal Value

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	39.7 %	41.6 %	43.8 %	46.2 %	48.9 %
9.5 %	42.0	44.1	46.5	49.2	52.4
9.0 %	44.4	46.7	49.4	52.5	56.3
8.5 %	46.9	49.6	52.6	56.3	61.1
8.0 %	49.7	52.7	56.2	60.9	68.0

Implied 2024 P/E[1]

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	10.9 x	11.7 x	12.6 x	13.6 x	14.8 x
9.5 %	11.6	12.5	13.5	14.7	16.1
9.0 %	12.4	13.4	14.6	16.0	17.7
8.5 %	13.3	14.5	15.9	17.5	19.6
8.0 %	14.4	15.8	17.4	19.4	22.0

Source: Financial projections per Francis management as of 16-Nov-2008

Note: Includes capitalized ESO expense and NPV of incremental 2015 Opt-in. Assumes 1,054mm basic shares outstanding, as of 06-Mar-2009. Fully diluted shares outstanding calculated using treasury stock method based on options schedule provided by Francis management. Assumes net cash of $7.7 billion and cash flows discounted to 31-Mar-2009 using mid-year convention. Includes additional business updates since 22-Feb-2009 provided by management on 09-Mar-2009. Additional 2% tax benefit starting in 2011 due to California tax law change. $ in mm, except per share amounts.

[1] P/E as implied by net income per Francis management projections

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Discounted Cash Flow Analysis of Francis

Financial Sensitivities

2018 Terminal Year

Enterprise Value

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$92,838	$95,916	$99,355	$103,203	$107,499
9.5 %	99,962	103,578	107,630	112,163	117,179
9.0 %	108,128	112,397	117,181	122,495	128,214
8.5 %	117,553	122,607	128,237	134,334	140,321
8.0 %	128,502	134,472	140,975	147,453	151,419

Equity Value Per Share

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$93.20	$95.93	$98.97	$102.37	$106.17
9.5 %	99.51	102.70	106.29	110.30	114.73
9.0 %	106.73	110.50	114.74	119.44	124.50
8.5 %	115.07	119.54	124.52	129.91	135.21
8.0 %	124.75	130.03	135.78	141.51	145.02

% of Enterprise Value in Terminal Value

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	56.2 %	58.3 %	60.6 %	63.1 %	66.0 %
9.5 %	58.1	60.3	62.8	65.6	68.9
9.0 %	60.0	62.5	65.2	68.4	72.2
8.5 %	62.0	64.7	67.8	71.6	76.5
8.0 %	64.1	67.2	70.8	75.6	83.2

Implied 2018 P/E[1]

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	12.1 x	13.0 x	14.0 x	15.2 x	16.5 x
9.5 %	12.9	13.9	15.1	16.4	18.0
9.0 %	13.8	14.9	16.3	17.8	19.7
8.5 %	14.8	16.2	17.7	19.6	21.9
8.0 %	16.0	17.6	19.4	21.7	24.5

Source: Financial projections per Francis management as of 16-Nov-2008

Note: Includes capitalized ESO expense and NPV of incremental 2015 Opt-in. Assumes 1,054mm basic shares outstanding, as of 06-Mar-2009. Fully diluted shares outstanding calculated using treasury stock method based on options schedule provided by Francis management. Assumes net cash of $7.7 billion and cash flows discounted to 31-Mar-2009 using mid-year convention. Includes additional business updates since 22-Feb-2009 provided by management on 09-Mar-2009. Additional 2% tax benefit starting in 2011 due to California tax law change. $ in mm, except per share amounts.

[1] P/E as implied by net income per Francis management projections

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Discounted Cash Flow Analysis of Francis

Operating Sensitivities

2024 Terminal Year

Equity Value Per Share

Discount Rate	2009E to 2024E Incremental Revenue CAGR: (3.0)%	(2.0)%	(1.0)%	0.0 %	1.0 %
10.0 %	$80.01	$86.99	$95.04	$104.35	$115.14
9.5 %	85.49	93.17	102.11	112.47	124.46
9.0 %	91.70	100.29	110.29	121.87	135.28
8.5 %	98.80	108.48	119.75	132.81	147.93
8.0 %	106.84	117.84	130.66	145.51	162.71

Discount Rate	Implied 2024E EBIT Margin: 41.6 %	44.6 %	47.6 %	50.6 %	53.6 %
10.0 %	$91.49	$95.78	$100.07	$104.35	$108.64
9.5 %	98.18	102.94	107.70	112.47	117.23
9.0 %	105.90	111.22	116.54	121.87	127.19
8.5 %	114.81	120.81	126.81	132.81	138.81
8.0 %	125.05	131.87	138.69	145.51	152.33

Implied 2024E EBIT Margin	2009E to 2024E Incremental Revenue CAGR: (3.0)%	(2.0)%	(1.0)%	0.0 %	1.0 %
41.6 %	$80.76	$87.96	$96.27	$105.90	$117.04
44.6 %	84.43	92.07	100.94	111.22	123.12
47.6 %	88.07	96.18	105.61	116.54	129.20
50.6 %	91.70	100.29	110.29	121.87	135.28
53.6 %	95.32	104.39	114.96	127.19	141.37

Source: Financial projections per Francis management as of 16-Nov-2008

Note: Assumes 3.0% perpetuity growth rate and 9.0% discount rate, unless otherwise noted. Includes capitalized ESO expense and NPV of incremental 2015 Opt-in. Assumes 1,054mm basic shares outstanding, as of 06-Mar-2009. Fully diluted shares outstanding calculated using treasury stock method based on options schedule provided by Francis management. Assumes net cash of $7.7 billion and cash flows discounted to 31-Mar-2009 using mid-year convention. Includes additional business updates since 22-Feb-2009 provided by management on 09-Mar-2009 including additional 2% tax benefit starting in 2011 due to California tax law change. Assumes trending toward the percentage of terminal year EBIT margin in a linear incremental fashion over the forecasted period. Revenue growth implied by incremental CAGR applied in a linear incremental fashion over the forecasted period.

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Discounted Cash Flow Analysis of Francis

Operating Sensitivities

2018 Terminal Year

Equity Value Per Share

Discount Rate	2009E to 2024E Incremental Revenue CAGR (3.0)%	(2.0)%	(1.0)%	0.0 %	1.0 %
10.0 %	$82.75	$87.39	$92.76	$98.97	$106.16
9.5 %	88.52	93.58	99.47	106.29	114.19
9.0 %	95.11	100.70	107.20	114.74	123.46
8.5 %	102.67	108.89	116.13	124.52	134.23
8.0 %	111.27	118.24	126.37	135.78	146.69

Discount Rate	Implied 2024E EBIT Margin 41.6 %	44.6 %	47.6 %	50.6 %	53.6 %
10.0 %	$90.73	$93.48	$96.22	$98.97	$101.71
9.5 %	97.26	100.27	103.28	106.29	109.30
9.0 %	104.78	108.10	111.42	114.74	118.06
8.5 %	113.45	117.14	120.83	124.52	128.20
8.0 %	123.39	127.52	131.65	135.78	139.91

Implied 2024E EBIT Margin	2009E to 2024E Incremental Revenue CAGR (3.0)%	(2.0)%	(1.0)%	0.0 %	1.0 %
41.6 %	$87.23	$92.22	$98.04	$104.78	$112.58
44.6 %	89.86	95.05	101.10	108.10	116.21
47.6 %	92.48	97.87	104.15	111.42	119.84
50.6 %	95.11	100.70	107.20	114.74	123.46
53.6 %	97.74	103.52	110.25	118.06	127.09

Source: Financial projections per Francis management as of 16-Nov-2008

Note: Assumes 3.0% perpetuity growth rate and 9.0% discount rate, unless otherwise noted. Includes capitalized ESO expense and NPV of incremental 2015 Opt-in. Assumes 1,054mm basic shares outstanding, as of 06-Mar-2009. Fully diluted shares outstanding calculated using treasury stock method based on options schedule provided by Francis management. Assumes net cash of $7.7 billion and cash flows discounted to 31-Mar-2009 using mid-year convention. Includes additional business updates since 22-Feb-2009 provided by management on 09-Mar-2009 including additional 2% tax benefit starting in 2011 due to California tax law change. Assumes trending toward the percentage of terminal year EBIT margin in a linear incremental fashion over the forecasted period. EBIT margins in terminal year of 2018 are 47.0%, 48.8%, 50.7%, 52.6% and 54.5% for implied changes to 2024 EBIT margin of -9.0%, -6.0%, -3.0%, 0.0%, and 3.0%, respectively. Revenue growth implied by incremental CAGR applied in a linear incremental fashion over the forecasted period.

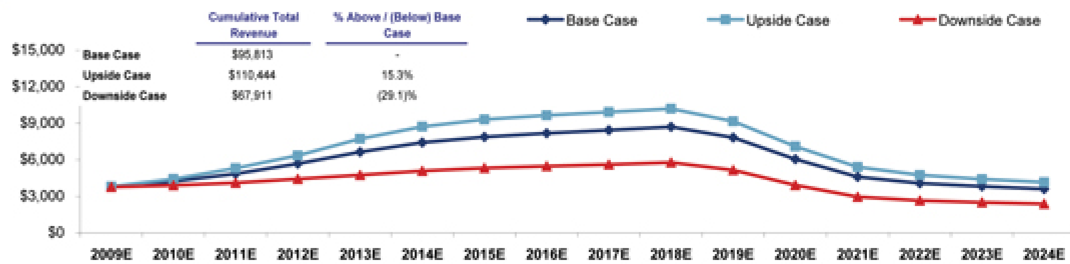
Avastin C-08 Assumptions

Base Case, C-08 Upside Case and C-08 Downside Case

($ in millions)

- Base Case:
  - 61% for PTS for adjuvant colon cancer trial (C-08) in Q2 2009
  - Most important additional Avastin indications of adjuvant breast (50% PTS) and adjuvant lung cancer (55% PTS)
  - Implies overall adjusted Avastin revenues trend to ~65% of unadjusted Avastin revenues in 2015+ timeframe
  - 3.0% annual price increase beginning in 2016, contingent upon breast trial outcome
- C-08 Upside Case:
  - Positive C-08 results by Q2 2009 resulting in ~18% higher revenue than base case for Avastin overall in 2017E
  - Increased PTS assumptions for adjuvant breast and adjuvant lung indications in development to 70%
- C-08 Downside Case:
  - Negative C-08 results by Q2 2009 resulting in ~33% lower revenue than base case for Avastin overall in 2017E
  - Removes adjuvant CRC revenue from base case
  - Decreased PTS assumptions for adjuvant breast and adjuvant lung indications in development to 10%

Avastin PTS Adjusted Total Revenue: 2009E – 2024E



Source: Francis management projections

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Avastin Case Discounted Cash Flow Analysis

Base Case, C-08 Upside Case and C-08 Downside Case

Equity Value Per Share

2024 Terminal Year

C-08 Downside Case

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$90.53	$92.33	$94.31	$96.49	$98.87
9.5 %	97.20	99.38	101.78	104.41	107.23
9.0 %	104.88	107.53	110.45	113.59	116.78
8.5 %	113.80	117.02	120.53	124.16	127.30
8.0 %	124.22	128.13	132.23	135.95	136.94

Base Case

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$100.25	$102.19	$104.35	$106.74	$109.34
9.5 %	107.48	109.84	112.47	115.35	118.46
9.0 %	115.80	118.68	121.87	125.33	128.91
8.5 %	125.45	128.96	132.81	136.84	140.48
8.0 %	136.70	140.97	145.51	149.76	151.41

C-08 Upside Case

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$105.27	$107.29	$109.52	$112.00	$114.71
9.5 %	112.78	115.23	117.95	120.95	124.19
9.0 %	121.41	124.40	127.70	131.31	135.06
8.5 %	131.41	135.05	139.05	143.27	147.13
8.0 %	143.06	147.49	152.23	156.71	158.67

2018 Terminal Year

C-08 Downside Case

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$78.39	$80.51	$82.84	$85.41	$88.22
9.5 %	83.61	86.06	88.75	91.72	94.93
9.0 %	89.51	92.36	95.51	98.93	102.45
8.5 %	96.29	99.63	103.28	107.08	110.43
8.0 %	104.14	108.04	112.14	115.84	116.82

Base Case

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$93.20	$95.93	$98.97	$102.37	$106.17
9.5 %	99.51	102.70	106.29	110.30	114.73
9.0 %	106.73	110.50	114.74	119.44	124.50
8.5 %	115.07	119.54	124.52	129.91	135.21
8.0 %	124.75	130.03	135.78	141.51	145.02

C-08 Upside Case

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$100.97	$104.02	$107.45	$111.30	$115.61
9.5 %	107.88	111.47	115.52	120.06	125.13
9.0 %	115.80	120.05	124.84	130.20	136.04
8.5 %	124.94	129.99	135.66	141.87	148.17
8.0 %	135.58	141.57	148.17	154.94	159.75

Source: Financial projections and scenarios per Francis management as of 16-Nov-2008
Note: Includes capitalized ESO expense and "marked to market" 2015 opt-in value. Assumes 1,054mm basic shares outstanding, as of 06-Mar-2009. Fully diluted shares outstanding calculated using treasury stock method based on options schedule provided by Francis management. Assumes net cash of $7.7 billion and cash flows discounted to 31-Mar-2009

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Recent Changes That Impact Financial Outlook

Update Provided by Francis Management on 09-Mar-2009

- The following developments impact certain assumptions underlying the projections originally presented on 16-Nov-2008
  - —Change in California tax law resulting in lower effective tax rate for Francis beginning in 2011
    - – Illustrative impact shown separately on next page
  - —Positive outcome of IMAGE trial supports higher sales for Rituxan and 2H7 based on revised assumptions for dose, pricing and market penetration
    - – Estimated impact is increase of approximately $80mm to $150mm in annual FCF from 2011 to 2014 and approximately $200mm to $250mm per year thereafter through 2024
  - —Favorable developments involving patent application for Rituxan support a revised assumption for timing of the loss of patent protection to Sep-2016 from Apr-2015
    - – Estimated impact is increase of approximately $250mm to $350mm in annual FCF from 2015 to 2017 with $50mm declining steadily each year thereafter
  - —Favorable Cabilly re-exam outcome led to an increase in estimated probability of receiving future royalties from licensees
    - – Estimated impact is increase of approximately $50mm to $100mm in annual FCF from 2010 to 2018
  - —Adjustment for lower cash flows from contract revenue
    - – Estimated impact is a decrease of approximately $25mm to $175mm in annual FCF from 2011 to 2024 with larger decreases thereafter
  - —Unforeseen delays of planned INDs in 2009 and 2010 for NMEs arising from Francis' antibody drug conjugate platform
    - – Estimated impact is a net increase in aggregate FCF of approximately $100mm from 2009 to 2017 followed by decreases of approximately $100mm to $275mm in annual FCF from 2018 to 2024. Annual decreases in FCF get smaller after 2024 and ultimately reverse as delayed NMEs reach peak sales
  - —Additional Raptiva PML cases led to lower sales assumptions for existing indications and termination of future development of Raptiva in transplant indications
    - – Estimated impact on FCF is nominal in aggregate through 2015 (small after tax margin on lower sales offset by avoided development costs) followed by decreases of approximately $25mm to $125mm in annual FCF from 2016 to 2024. Annual decreases in FCF get smaller after 2024
- Cumulative impact of all changes except California tax law re-exam on FCF (using midpoint of management's ranges) and the illustrative present value at discount rates of 8% to 10%

Development ($ mm)	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	Terminal Value	Cumulative FCF ('09 -'24)
Increases																		
IMAGE	-	-	$115	$115	$115	$115	$225	$225	$225	$225	$225	$225	$225	$225	$225	$225	-	$2,710
Rituxan Patent	-	-	-	-	-	-	300	300	300	250	200	150	100	50	-	-	-	1,650
Cabilly Re-Exam	-	75	75	75	75	75	75	75	75	75	-	-	-	-	-	-	-	675
Decreases																		
Contract Revenue	-	-	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(1,667)	(1,400)
Delays of Planned INDs	11	11	11	11	11	11	11	11	11	(188)	(188)	(188)	(188)	(188)	(188)	(188)	-	(1,213)
Raptiva in Transplant	-	-	-	-	-	-	-	(75)	(75)	(75)	(75)	(75)	(75)	(75)	(75)	(75)	-	(0,675)
Total	$11	$86	$101	$101	$101	$101	$511	$436	$436	$188	$63	$13	($38)	($88)	($138)	($138)	($1,667)	$1,748

	Discount Rate				
	8.0%	8.5%	9.0%	9.5%	10.0%
Present Value ($ bn)	$0.6	$0.6	$0.7	$0.7	$0.7

Note: Discounted to 31-Mar-2009 using mid-year convention; terminal value for the impact of the downward revision of FCF from contract revenue uses a 3% perpetuity growth rate.

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Illustrative Impact of Recent California Tax Law Changes

($ Per Share)

- Recent favorable change to California tax law changes will lower Francis' effective tax rate by approximately 2% starting in 2011 (per management estimates)
  - The upside resulting from the change in California tax law was not forecasted in management projections provided on 16-Nov-2008
- Analysis below demonstrates incremental impact of 2.0% lower effective tax rate for each year starting in 2011

2024 Terminal Year

		Perpetuity Growth Rate				
		2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
Discount Rate	10.0 %	$2.39	$2.46	$2.55	$2.65	$2.76
	9.5 %	2.59	2.68	2.79	2.91	3.05
	9.0 %	2.82	2.93	3.06	3.22	3.40
	8.5 %	3.09	3.23	3.39	3.59	3.83
	8.0 %	3.41	3.58	3.79	4.05	4.37

2018 Terminal Year

		Perpetuity Growth Rate				
		2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
Discount Rate	10.0 %	$2.17	$2.27	$2.37	$2.50	$2.65
	9.5 %	2.34	2.45	2.58	2.74	2.92
	9.0 %	2.54	2.67	2.83	3.02	3.24
	8.5 %	2.77	2.93	3.12	3.35	3.64
	8.0 %	3.03	3.23	3.47	3.77	4.14

Note: Assumes 1,054mm basic shares outstanding as of 06-Mar-2009. Fully diluted shares outstanding calculated using treasury stock method based on options schedule provided by Francis management.

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2015 Opt-In Assumptions

Key Assumptions

- Management forecast assumes current James / Francis royalty arrangement remains in place post 2015 with ~15% royalty rate
- Incremental value assumes a market royalty rate of 20% to 30% less the existing 15% royalty rate assumed in the management forecast
- $500M peak for lead indication and $250M peak sales for each line extension
  - Ex-U.S. sales equal to 100% of U.S. sales
- 35% marginal tax rate applied to post-2015 royalty revenues
- NMEs per year from 2015-2025 consistent with the management base case
- NMEs post 2025 held constant at 13 NMEs per year
  - Sensitivity analysis varies the 13 management base case NMEs per year +/- 2 NMEs per year
- Revenues projected to 2060 (beginning in 2022) and discounted to 31-Mar-2009 using mid-year convention
  - Discount rate of 8.0 to 10.0%

Incremental Value Per Share

Discount Rate	Royalty Rate: 20%	23%	25%	28%	30%
10.0 %	$2.73	$4.09	$5.46	$6.82	$8.19
9.5 %	3.22	4.84	6.45	8.06	9.67
9.0 %	3.84	5.75	7.67	9.59	11.51
8.5 %	4.60	6.90	9.20	11.50	13.80
8.0 %	5.57	8.35	11.14	13.92	16.71

Incremental Value Per Share

Discount Rate	Incremental Slots: (2.0)	(1.0)	0.0	1.0	2.0
10.0 %	$3.26	$4.35	$5.46	$7.39	$9.32
9.5 %	3.85	5.14	6.45	8.64	10.83
9.0 %	4.59	6.12	7.67	10.17	12.68
8.5 %	5.52	7.35	9.20	12.08	14.95
8.0 %	6.69	8.90	11.14	14.47	17.81

Source: Company management
Note: Assumes 1,054mm basic shares outstanding, as of 06-Mar-2009. Fully diluted shares outstanding calculated using treasury stock method based on options schedule provided by Francis management.

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Employee Stock Option Expense Assumptions

($ in millions, except per share data)

Key Assumptions

- Employee stock expense per management estimates
- Assumes Black Scholes based estimate of 2009 after-tax employee stock option expense of $328 million
- 6% annual growth rate of ESO issuance consists of an assumed 3% annual inflation plus 3% annual employee growth
  - Sensitivity analysis varies 6% ESO growth rate by +/- 1.0% to reflect potential changes in inflation and employee growth
- Net present value projected per Francis management
  - Discount rate of 8.0 to 10.0%

Total Value

Discount Rate	ESO Growth Rate 5.0 %	5.5 %	6.0 %	6.5 %	7.0 %
10.0 %	($6,840)	($7,565)	($8,473)	($9,639)	($11,194)
9.5 %	(7,588)	(8,498)	(9,668)	(11,228)	(13,412)
9.0 %	(8,524)	(9,698)	(11,262)	(13,453)	(16,739)
8.5 %	(9,728)	(11,297)	(13,494)	(16,790)	(22,283)
8.0 %	(11,332)	(13,536)	(16,842)	(22,352)	(33,372)

Total Value Per Share

Discount Rate	ESO Growth Rate 5.0 %	5.5 %	6.0 %	6.5 %	7.0 %
10.0 %	($6.32)	($6.98)	($7.82)	($8.88)	($10.31)
9.5 %	(6.99)	(7.82)	(8.89)	(10.32)	(12.31)
9.0 %	(7.83)	(8.90)	(10.33)	(12.32)	(15.32)
8.5 %	(8.91)	(10.34)	(12.33)	(15.33)	(20.33)
8.0 %	(10.35)	(12.35)	(15.35)	(20.35)	(30.38)

Source: Company management
Note: Assumes 1,054mm basic shares outstanding, as of 06-Mar-2009. Fully diluted shares outstanding calculated using treasury stock method based on options schedule provided by Francis management.

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B. Present Value of Future Stock Price Analysis

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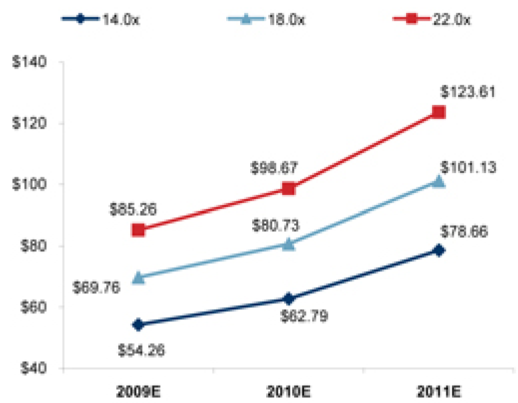
Present Value of Future Stock Price Analysis

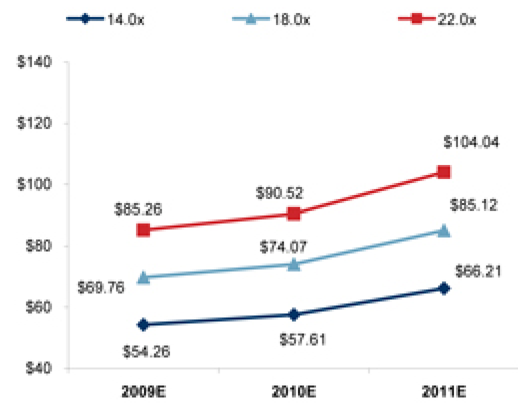
Management Case, Adjusted for Share Repurchases at One Year Forward at 18.0x P/E[1]

($ Per Share)

Future Stock Price (Undiscounted)



Present Value at 9.0% Cost of Equity



	2009E	2010E	2011E	2008 - 2011E CAGR[2]
EPS (Mgmt Forecast)[1]	$ 3.88	$ 4.49	$ 5.62	18.0%
IBES	$ 3.80	$ 4.35	$4.99	13.4%

Source: Francis management projections and IBES
Note: Management EPS forecast has not been updated for new developments as reported by Francis management on 07-Mar-2009.
[1] *Assumes cash of $3.6bn, $7.2bn and $5.5bn for 2009E-2011E, respectively, used to repurchase shares based on management projections. Price of share repurchase assumed to be 18.0x one year forward EPS per Management Case ($80.73, $101.13 and $122.49 for 2009E-2011E, respectively).*
[2] *2008 actual non-GAAP EPS of $3.42 per company public filing. IBES estimates as of 20-Feb-2009 (prior to Investor Day presentation) were $3.79, $4.35 and $4.86 for 2009E, 2010E and 2011E, respectively.*

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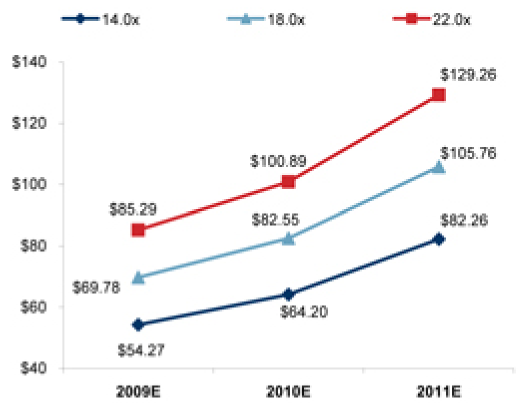
Present Value of Future Stock Price Analysis

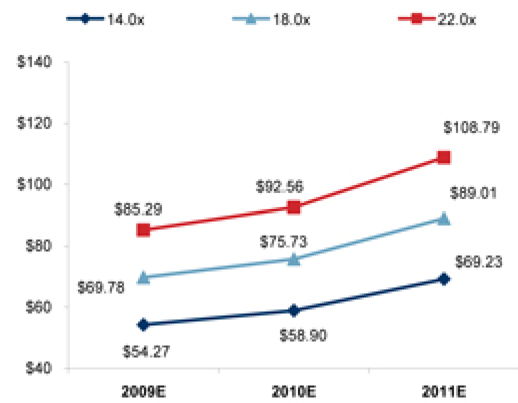
C-08 Upside Case, Adjusted for Share Repurchases at One Year Forward at 18.0x P/E[1]

($ Per Share)

Future Stock Price (Undiscounted)



Present Value at 9.0% Cost of Equity



	2009E	2010E	2011E	2008 - 2011E CAGR[2]
EPS (Mgmt Forecast)[1]	$ 3.88	$ 4.59	$ 5.88	19.8%
IBES	$ 3.80	$ 4.35	$4.99	13.4%

Source: Francis management projections and IBES
Note: Management EPS forecast has not been updated for new developments as reported by Francis management on 07-Mar-2009.
[1] Assumes cash of $3.6bn, $7.2bn and $5.5bn for 2009E-2011E, respectively, used to repurchase shares based on management projections. Price of share repurchase assumed to be 18.0x one year forward EPS per Management Case ($82.55, $105.76 and $129.32 for 2009E-2011E, respectively).
[2] 2008 actual non-GAAP EPS of $3.42 per company public filing. IBES estimates as of 20-Feb-2009 (prior to Investor Day presentation) were $3.79, $4.35 and $4.86 for 2009E, 2010E and 2011E, respectively.

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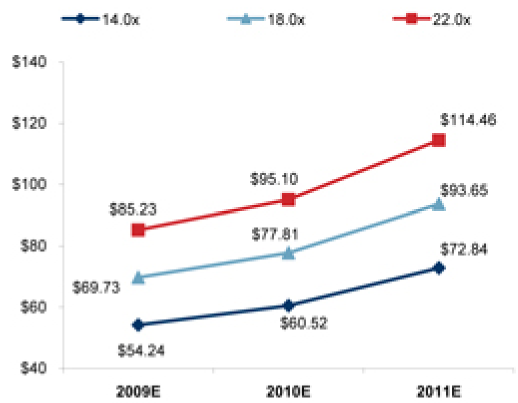
Present Value of Future Stock Price Analysis

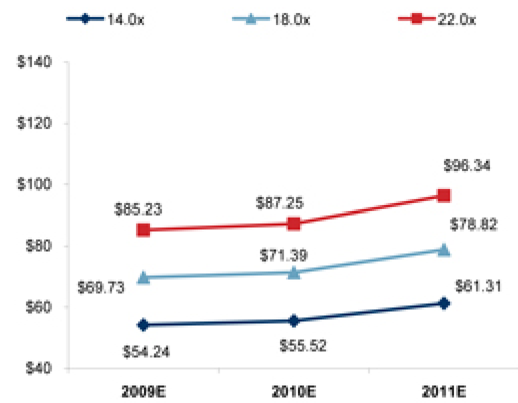
C-08 Downside Case, Adjusted for Share Repurchases at One Year Forward at 18.0x P/E[1]

($ Per Share)

Future Stock Price (Undiscounted)



Present Value at 9.0% Cost of Equity



	2009E	2010E	2011E	2008 - 2011E CAGR[2]
EPS (Mgmt Forecast)[1]	$ 3.87	$ 4.32	$ 5.20	15.0%
IBES	$ 3.80	$ 4.35	$4.99	13.4%

Source: Francis management projections and IBES
Note: Management EPS forecast has not been updated for new developments as reported by Francis management on 07-Mar-2009.
[1] Assumes cash of $3.6bn, $7.2bn and $5.5bn for 2009E-2011E, respectively, used to repurchase shares based on management projections. Price of share repurchase assumed to be 18.0x one year forward EPS per Management Case ($77.81, $93.65 and $109.72 for 2009E-2011E, respectively).
[2] 2008 actual non-GAAP EPS of $3.42 per company public filing. IBES estimates as of 20-Feb-2009 (prior to Investor Day presentation) were $3.79, $4.35 and $4.86 for 2009E, 2010E and 2011E, respectively.

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C. Precedent Transactions

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Comparison of Selected Transactions

($ in millions)

Date Announced	Acquiror	Target		Equity Consideration (mm) (1)(2)	Enterprise Valuation (mm) (1)(2)	Enterprise Value / LTM Sales	Premium to One Day Prior (%) (3)	Premium to Four Weeks Prior (%)
Pharma / BioPharma								
06-Oct-2008	Eli Lilly & Co	ImClone Systems Inc		$6,645	$6,223	9.6 x	50.7 %	76.1 %
10-Apr-2008	Takeda	Millennium		8,765	7,909	15.0	52.9 %	78.1 %
29-Nov-2007	Eisai Corporation	MGI Pharma		3,924	3,760	10.2	38.7 %	25.8 %
18-Nov-2007	Celgene Corp	Pharmion Corp		2,839	2,590	9.7	46.1 %	53.5 %
23-Apr-2007	AstraZeneca PLC	MedImmune Inc		15,410	14,386	10.6	20.8 %	70.0 %
20-Feb-2007	Shire PLC	New River Pharmaceuticals Inc		2,646	2,499	NM	9.7 %	15.4 %
30-Oct-2006	Merck & Co Inc	Sirna Therapeutics Inc		1,121	1,038	NM	100.2 %	135.5%
17-Oct-2006	Eli Lilly & Co	ICOS Corp		2,441	2,334	30.4	18.0 %	25.4%
02-Oct-2006	Gilead Sciences Inc	Myogen Inc		2,408	2,231	NM	49.7 %	50.0%
21-Sep-2006	Merck KGaA	Serono International SA		8,296	12,863	4.5	20.2 %	30.5%
15-May-2006	AstraZeneca PLC	Cambridge Antibody Tech Grp		1,116	1,077	8.5	66.9 %	71.4%
14-Dec-2005	Amgen Inc	Abgenix Inc		2,779	2,496	NM	53.6 %	67.7%
07-Sep-2005	GlaxoSmithKline PLC	ID Biomedical Corp		1,416	1,394	21.9	13.0 %	43.9%
01-Sep-2005	Novartis AG	Chiron Corp		5,734	8,850	5.1	23.5 %	23.3%
16-Jun-2005	Pfizer Inc	Vicuron Pharmaceuticals Inc		1,924	1,799	NM	84.2 %	67.3%
21-Apr-2005	Shire Pharmaceuticals Grp PLC	Transkaryotic Therapies Inc		1,571	1,448	17.4	21.6 %	58.5%
18-May-2004	UCB SA	Celltech Group PLC		2,718	2,450	3.9	27.6 %	22.0%
29-Mar-2004	Amgen Inc	Tularik Inc		1,424	1,851	37.0	47.1 %	33.0%
26-Feb-2004	Genzyme Corp	ILEX Oncology Inc		1,048	947	27.2	25.0 %	10.5%
			High	$ 15,410	$ 14,386	37.0 x	100.2%	135.5%
			Mean	3,907	4,113	15.1	40.5%	50.4%
			Median	2,646	2,450	10.4	38.7%	50.0%
			Low	1,048	947	3.9	9.7%	10.5%
Pharma / Pharma								
25-Jan-2009	Pfizer	Wyeth		67,810	64,163	2.8 x	29.3%	38.9%
23-Mar-2006	Bayer	Schering AG		21,004	20,589	2.9	44.0%	58.9%
26-Jan-2004	Sanofi	Aventis		65,598	67,653	3.2	22.7%	28.0%
15-Jul-2002	Pfizer	Pharmacia		58,963	65,396	4.7	47.2%	25.3%
			High	$ 67,810	$ 67,653	4.7 x	47.2%	58.9%
			Mean	53,344	54,450	3.4	35.8%	37.8%
			Median	62,281	64,779	3.1	36.7%	33.5%
			Low	21,004	20,589	2.8	22.7%	25.3%

(1) Local currency values converted to USD based on foreign exchange rates on the respective transaction announcement date.
(2) Sources: LTM numbers are based on latest publicly available financial statements.
(3) Represents premium to one day prior to announcement or premium to undistrubed share price.

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Comparison of Selected Minority Buyout Transactions

($ in millions)

Date Effective	Target Name	Acquiror Name	% Owned Prior to Transaction	Date Announced	Transaction Value of Minority Shares ($mm)	Initial Premium Over Market Price	Final Premium Over Market Price	% Increase in Offer
Greater Than 50% Owned Prior to Transaction								
02-Jan-2009	Nationwide Finl Svcs Inc	Nationwide Mutual Insurance Co	66.5%	05-Mar-2008	$2,863	15.9%	28.3%	10.7%
04-Nov-2008	UnionBanCal corp	Bank of Tokyo-Mitsubishi UFJ	64.9	26-Apr-2008	3,808	9.4	38.6	26.7
Withdrawn	Hearst-Argyle Television	Hearst Corporation	73.3	24-Aug-2007	600	14.9	14.9	0.0
15-Apr-2008	Alfa Corp	Alfa Mutual Group	54.7	17-Jul-2007	833	15.8	44.7	25.0
20-Dec-2007	Tribune Co	Sam Zell	52.5	02-Apr-2007	3,883	5.9	5.9	0.0
29-Sep-2007	Great American Finl Res	American Financial Group	81.0	22-Feb-2007	246	8.6	13.2	4.3
20-Apr-2007	TD Banknorth Inc.	Toronto-Dominion Bank	57.0	19-Nov-2006	3,175	6.5	6.5	0.0
26-Jul-2006	William Lyon Homes	General William Lyon	74.5	17-Mar-2006	246	22.9	44.0	17.2
16-May-2006	Lafarge North America	Lafarge SA	53.2	06-Feb-2006	2,858	16.7	33.1	14.0
09-Nov-2005	7-Eleven Inc	IYG Holding Co	72.7	01-Sep-2005	1,182	14.7	32.3	15.4
15-Jun-2005	UGC Holdings	Liberty Media	53.6	17-Jan-2005	3,481	(0.6)	(0.3)	0.3
02-Dec-2004	Cox Communications	Cox Enterprises Inc	68.0	02-Aug-2004	8,532	16.0	26.0	8.6
23-Jun-2003	Hotels.com	USA Interactive	68.0	09-Apr-2003	1,116	14.3	14.3	0.0
20-Mar-2002	Intimate Brands Inc	Limited Inc	83.7	04-Feb-2002	1,580	10.2	13.1	2.6
01-Oct-2001	Westfield America Inc	Westfield America Trust	77.5	15-Feb-2001	268	12.5	12.5	0.0
21-Feb-2001	Infinity Broadcasting	Viacom Inc	62.4	14-Aug-2000	16,986	12.2	12.2	0.0
02-Jan-2001	AXA Financial Inc	AXA Group	60.3	30-Aug-2000	14,096	2.4	4.6	2.1
15-Sep-2000	Vastar Resources Inc	BP Amoco PLC	81.9	16-Mar-2000	1,592	12.5	31.5	16.9
12-Sep-2000	CareInsite Inc	Healtheon/WebMD Inc	67.4	14-Feb-2000	1,763	5.3	5.3	0.0
26-Jun-2000	Hartford Life	Hartford Fin Svcs Group	81.5	27-Mar-2000	1,308	3.4	18.6	14.8
14-Jun-2000	IXnet Inc	Global Crossing	73.0	18-Feb-2000	854	17.9	17.9	0.0
20-Apr-2000	Travelers Property Casualty	Citigroup	85.0	22-Mar-2000	2,397	35.3	36.7	1.1
	High					**35.3%**	**44.7%**	**26.7%**
	Mean					**12.4**	**20.6**	**7.3**
	Median					**12.5**	**16.4**	**2.4**
	Low					**(0.6)**	**(0.3)**	**0.0**
Less Than 50% Owned Prior to Transaction								
Withdrawn	Cablevision Systems Corp	Management	22.5%	06-Oct-2006	22,569	13.7%	52.7%	34.3%
20-Apr-2006	Chiron Corp	Novartis AG	42.0	01-Sep-2005	6,339	9.8	31.7	20.0
08-Aug-2003	Expedia	USA Interactive	46.5	31-May-2002	6,745	1.6	35.8	33.6
20-Dec-2001	BancWest Corp.	BNP Paribas	55.0	06-May-2001	2,402	40.1	40.1	0.0
15-Jun-2001	Sodexho Marriott Services	Sodexho Alliance SA	48.0	25-Jan-2001	2,168	8.5	28.6	18.5
	High					**40.1%**	**52.7%**	**34.3%**
	Mean					**14.7**	**37.8**	**21.3**
	Median					**9.8**	**35.8**	**20.0**
	Low					**1.6**	**28.6**	**0.0**

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Analysis at $95.00 Per Share

($ in millions, except per share data)

Price Per Share		**$95.00**
Total Equity Consideration - Diluted		$102,553
Net Debt		(7,684)
Enterprise Value		$94,869
Transaction Size		$46,770
Premium to Stock Price		
18-Jul-2008 Close Price	$81.82	16.1 %
4 Weeks Prior (20-Jun-2008)	74.76	27.1
30-Day Average (as of 18-Jul-2008)	75.96	25.1
18-Jul-2008 Closing Price Adjusted for Large Cap Biotech Performance[1]	60.71	56.5
Revenue		
2008A	$13,418	7.1 x
2009E	14,118	6.7
2010E	15,099	6.3
2011E	16,648	5.7

Source: Bloomberg as of 09-Mar-2009
Note: The initial offer price of $89.00 per share represents a 8.8% premium to the unaffected price of $81.82 per share and the increased offer price of $95.00 per share represents a 6.7% premium to the initial offer price of $89.00 per share.
[1] Large Cap Biotech Composite includes: Amgen, Biogen Idec, Celgene, Genzyme and Gilead. Since 18-Jul-2008, Large Cap Biotech Index is down 25.8% and implies an adjusted price of $60.71 when applied to Francis 18-Jul-2008 stock price of $81.82.

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Appendix A: Transaction Related Financial Analysis

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Transaction-Related Source of Value

- Synergies to James
  - James publicly acknowledges $750 to $850 million in synergy opportunity
    - Precedent transactions show this estimate to be conservative when measured as a percentage of sales and operating expenses
- Tax Benefits
  - Inter-company loan: James acknowledges using inter-company tax strategies in recent acquisitions to reduce tax leakage
  - Long-term tax strategies: Under James' ownership, Francis can gradually lower the tax rate by moving existing IP and housing new IP in foreign jurisdictions as well as expanding Francis' current plan to offshore manufacturing activities
- The Intangibles – Control versus Ownership
  - *"Be very careful -- we control, but we don't own. And there is, as Bill or Severin pointed out, there is no free exchange of information, of know-how, of intellectual property; all that is today not possible. We are running two parallel organizations. We are running programs that are parallel and perhaps should not be parallel. We are developing the same drugs on the one hand in the United States through an organization; on the other hand, outside of the States through an organization. More and more large company overlaps are being created."*
    --- Franz Humer, Investor Conference, 22-Jul-2008
- Cash Flow Control

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Illustrative Benefits Related to Inter-Company Loan

($ in billions, except per share data)

Potential Inter-Company Loan Benefit

- James Swiss parent raises debt in non-U.S. jurisdictions
- James parent loans proceeds to its U.S. subsidiary at an arm's-length rate (e.g., 8%) to fund the buyout consideration (the "inter-company loan")
- The inter-company loan creates tax deductions in the U.S. which enhances after-tax cash flow from Francis' operations
  - Interest on inter-company loan is generally deductible for U.S. tax purposes provided aggregate interest expense does not exceed 50% of taxable EBITDA
  - Interest payments should not be subject to U.S. withholding tax under U.S.-Swiss tax treaty
- Need to determine whether and at what rate the interest income would be taxable in Switzerland
  - Generally, Swiss companies would be subject to tax on interest income at 25% tax rate, although there may be structures to reduce tax liability in Switzerland
- Illustrative tax shield assuming $30 billion in new debt:
  - ($30bn debt * 8% interest rate * 39% marginal tax rate) = $936mm annual benefit
  - If Swiss tax rate on interest income is 25%, net tax savings of $336mm; net benefit even greater if interest income is subject to even lower tax rate in Switzerland or the Netherlands

NPV Benefit of Inter-Company Loan at Various Swiss Tax Rates

Per Total Share

Swiss Tax Rate	Inter-Company Loan Amount ($bn) $10.0	$20.0	$30.0	$40.0	$50.0
25 %	$1.14	$2.28	$3.42	$4.56	$5.70
20 %	1.55	3.10	4.65	6.19	7.74
15 %	1.96	3.91	5.87	7.82	9.78
10 %	2.36	4.73	7.09	9.45	11.82
5 %	2.77	5.54	8.31	11.08	13.85
0 %	3.18	6.36	9.53	12.71	15.89

Per Minority Share

Swiss Tax Rate	Inter-Company Loan Amount ($bn) $10.0	$20.0	$30.0	$40.0	$50.0
25 %	$2.47	$4.94	$7.41	$9.89	$12.36
20 %	3.35	6.71	10.06	13.42	16.77
15 %	4.24	8.47	12.71	16.95	21.18
10 %	5.12	10.24	15.36	20.48	25.60
5 %	6.00	12.00	18.01	24.01	30.01
0 %	6.88	13.77	20.65	27.54	34.42

Note: Assumes 1,091mm diluted shares outstanding. Assumes James owns 587mm shares and the remainder held by minority shareholders. Assumes 9.0% cost of capital. Assumes James will not pay down transaction debt and U.S. marginal tax rate of 39%. This analysis represents a stand-alone case that captures solely the potential inter-company loan benefit and assumes that no other tax benefits are achieved.

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Illustrative Benefits Related to Long-Term Tax Strategies

- Over time James may be able to offshore Francis IP to achieve a lower overall tax rate
  - Immediate movement of IP offshore would generate a large one-time tax bill
- In addition, due to global operations, James may be able to accelerate and/or maintain offshore manufacturing tax benefits for a longer period
- The long term benefit of a tax rate that approximates James' current tax rate could contribute significant long-term value
- The table below shows the net value that could be created by trending to a 24% terminal year tax rate vs. a 27% tax rate

Present Value of Long-term Tax Strategies

Per Total Share

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$0.15	$0.27	$0.41	$0.56	$0.75
9.5 %	0.37	0.51	0.68	0.88	1.11
9.0 %	0.63	0.81	1.02	1.27	1.57
8.5 %	0.95	1.18	1.44	1.76	2.15
8.0 %	1.35	1.63	1.97	2.39	2.91

Per Minority Share

Discount Rate	Perpetuity Growth Rate 2.0 %	2.5 %	3.0 %	3.5 %	4.0 %
10.0 %	$0.33	$0.61	$0.92	$1.28	$1.69
9.5 %	0.83	1.16	1.54	1.99	2.52
9.0 %	1.43	1.84	2.31	2.88	3.55
8.5 %	2.16	2.66	3.27	3.99	4.87
8.0 %	3.04	3.69	4.46	5.40	6.58

Note: Assumes 1,054mm basic shares outstanding, as of 06-Mar-2009. Fully diluted shares outstanding calculated using treasury stock method based on options schedule provided by Francis management. Assumes 44.2% minority holdings. Assumes James will not pay down transaction debt. Potential tax withholding related to interest income to parent entity is not included in analysis.

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Synergy Levels in Precedent Pharmaceutical Transactions

($ in millions)

Announced Transactions	Total Announced Cost Savings ($mm)	Total Cost Savings as a % of Prior Year Combined: Pharma Sales	R&D + SG&A
James / Francis	*$750 - $850*	*2.5% - 2.8%*	*4.4% - 5.0%*
Pfizer / Wyeth	4,000	6.3	12.2
UCB / Schwarz	382	10.8	17.5
AstraZeneca / MedImmune	500	1.8	3.3
Roche / Syntex	825	10.6	21.4
Glaxo / Wellcome	1,165	9.4	19.9
Ciba-Geigy / Sandoz	1,500	7.8	17.7
Pfizer / Warner-Lambert [1]	1,700	8.1	14.5
Astra / Zeneca	1,900	8.5	14.1
Pharmacia / Upjohn	500	6.7	13.5
Glaxo / SmithKline	1,700	8.1	13.0
AHP / Monsanto [2]	1,400	6.2	12.9
Sanofi-Synthelabo / Aventis	1,940	6.1	12.5
Pfizer / Pharmacia	2,500	6.8	11.0
Monsanto / Pharmacia & Upjohn	600	5.7	9.4
AHP / Warner-Lambert [2]	1,200	6.9	9.1
	High	***10.8%***	***21.4%***
	Mean	***7.3***	***13.5***
	Median	***6.9***	***13.0***
	Low	***1.8***	***3.3***

Source: Publicly available information
[1] *Represents percentages based on Pharma businesses only. Adjusts for Warner-Lambert's consumer and confectionary businesses and Pfizer's animal health and consumer businesses.*
[2] *Deal withdrawn.*

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Illustrative Benefits Related to Incremental Synergy Benefits

- James has messaged $750 - $850mm in synergies
  - Precedent transactions indicate synergies could be substantially larger

EPS Impact to James

- The incremental impact of $100mm of pre-tax synergies is an annual CHF 0.09 per share to James EPS (approximately 0.7% of James 2009E EPS)

Present Value of Synergies

- Discounted by 8.0% - 10.0%, assuming no growth rate

Present Value of Synergies

Per Total Share

Cost of Capital	Annual Savings: $750	$850	$1,500	$2,250
10.0 %	$4.40	$4.99	$8.80	$13.20
9.0 %	4.89	5.54	9.78	14.66
8.0 %	5.50	6.23	11.00	16.50

Per Minority Share

Cost of Capital	Annual Savings: $750	$850	$1,500	$2,250
10.0 %	$9.53	$10.80	$19.06	$28.59
9.0 %	10.59	12.00	21.18	31.76
8.0 %	11.91	13.50	23.82	35.73

Note: Assumes 1,091mm diluted shares outstanding. Assumes James owns 587mm shares and the remainder held by minority shareholders. Synergies taxed at Francis tax rate of approximately 36.0%. EPS benefit to James based on 1.16 CHF : USD exchange rate and 862.6 million James shares outstanding. Percentage change to James EPS based on 2009E Wall Street EPS of CHF 11.57.

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Appendix B: Supplementary Materials

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Weighted Average Cost of Capital Analysis

As of 09-Mar-2009

Selected Comparables

Company	Market Equity	Predicted Equity Beta (1)	Adjusted Asset Beta
Francis	$98,466	0.65	0.65
Amgen	47,955	0.68	0.67
Biogen Idec	13,148	0.77	0.77
Celgene	18,911	0.92	0.92
Genzyme	14,428	0.71	0.71
Gilead	40,091	0.94	0.94
Mean		0.80	0.80
Median		0.77	0.77

WACC Sensitivity Table

Equity Risk Premium	Equity Beta 0.73	0.78	0.83	0.88	0.93
4.1%	6.7%	7.0%	7.2%	7.4%	7.6%
5.1%	7.5%	7.7%	8.0%	8.2%	8.5%
6.1%	8.2%	8.5%	8.8%	9.1%	9.4%
7.1%	8.9%	9.3%	9.6%	10.0%	10.3%

Source: Company filings, Ibbotson and Bloomberg
Note: Market Equity represents diluted market capitalization.
[1] Bloomberg 5-year weekly predicted betas.

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James' Issuance of $36 Billion of Senior Unsecured Notes

Largest Single Currency Corporate Offerings in Both US Dollars and Euros

18-Feb-2009 – 04-Mar-2009

Transaction Details

Issuer	James	
Current Ratings	Moody's: S&P: Fitch:	Aa1 (CreditWatch Negative) AA- (Stable Outlook) AA (CreditWatch Negative)
Expected Ratings	Moody's: S&P:	A1 or A2 AA-
Format	144A without registration rights	
Aggregate Deal Size	■ $32.7 billion equivalent from 18-Feb-2009 to 26-Feb-2009 — $16.50 billion in 1yr, 2yr, 3yr, 5yr, 10yr, and 30yr notes — €11.25 billion in 1yr, 4yr, 7yr, and 12yr notes — £1.25 billion in 6yr notes — CHF4.0bn in 3yr and 8yr notes	
Use of Proceeds	■ Partially finance the proposed hostile acquisition of the 44% of Francis James does not already own	
Early Redemption	■ Make whole call provision included in US dollar offerings (not in Euro, Sterling or Swiss Franc offerings)	
Coupon Step-up	■ Included given the unique uncertainty of the acquisition ■ Coupon step-ups if James' credit rating falls below A2/A+ ■ 25 basis points per notch, per agency, cap of 200 basis points ■ Provision lasts until July 2010 or 90 days after the completion of the Francis acquisition	

M&A Timeline

Apr-76	Francis founded
Feb-90	Francis agrees to sell a controlling stake to James ("ROSW") for $2.1bn. Under the terms of the deal, ROSW would own about 60% of Francis voting stock.
Jun-99	James exercises call option to buy the remaining portion of Francis it did not own, then reissued up to 19 percent of the stock, preserving Francis' status as an independently traded company. James later makes another offer for Francis shares
Jul-08	James offers to acquire all outstanding shares in Francis for $43.7 billion in cash
Aug-08	Francis rejects James' offer to acquire the 44% of Francis it does not already own
Jan-09	James turns hostile, cutting its bid to $86.50 per share in cash, valuing the deal at $42.5 billion
18-Feb-09	James issues $16.5bn in investment grade bonds
23-Feb-09	Francis Special Committee Rejects James' $86.50 Offer as Inadequate
25-Feb-09	James issues $16.2bn equivalent in Euro and Sterling notes
04-Mar-09	James issues $3.4bn equivalent in Swiss Franc notes

Summary of Offerings

Pricing Date 18-Feb-2009

Active Bookrunners Bank of America, Citi, JPMorgan

Passive Bookrunners Barclays, BNP Paribas, Credit Suisse, Deutsche Bank, Mitsubishi

Note Description	US Dollar					
	1-yr	2-yr[1]	3-yr	5-yr	10-yr	30-yr
Deal Size	$3.0bn	$1.25bn	$2.5bn	$2.75bn	$4.5bn	$2.5bn
Maturity	2/25/10	2/25/11	3/1/12	3/1/14	3/1/19	3/1/39
Coupon	FRN	FRN	4.5%	5.0%	6.0%	7.0%
Reoffer Spread	L+100	L+200	T+335	T+335	T+345	T+365

Pricing Date 25-Feb-2009

Active Bookrunners Barclays, BNP Paribas, Deutsche Bank, Santander

Passive Bookrunners Bank of America, Citi, Credit Suisse, JPMorgan, Mitsubishi UFJ, UBS, Unicredit

Note Description	Euro				Sterling
	1-yr[1]	4-yr	7-yr	12-yr	6-yr
Deal Size	€1.5bn	€5.25bn	€2.75bn	€1.75bn	£1.25bn
Maturity	3/4/10	3/4/13	3/4/16	3/4/21	3/4/15
Coupon	FRN	4.625%	5.625%	6.500%	5.500%
Reoffer Spread	L+95	MS+225	MS+265	MS+310	G+270

Pricing Date 04-Mar-2009

Active Bookrunners Credit Suisse, UBS

Passive Bookrunner Unicredit HVB

Note Description	Swiss Franc	
	3-yr	8-yr
Deal Size	CHF2.5bn	CHF1.5bn
Maturity	3/23/12	3/23/17
Coupon	2.500%	4.500
Reoffer Spread	MS+140	MS+220

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Research Price Targets and Key Themes
$93 Offer

Broker	Date	Price Target	Price and Financial Analysis Commentary
Barclays	09-Mar-2009	$97.00	■ "While the increased offer may suggest increased confidence in C-08 success, **downside risk is substantial. With multiple contraction on peers to 15x 2009 EPS, we estimate <$60 for Francis base business and would see a likelihood of success of >80% would have to be argued to reject the $93 offer.** We see no downside to buying Francis' shares below the offer price and would make a final decision on the strength of Francis' response."
Citi	06-Mar-2009	$92.00	■ "While we strongly discouraged Francis shareholders to tender their shares when the bid was $86.50 per share, our opinion is moving toward neutral with the new bid. After thoroughly studying Francis' R&D presentation, we do not think the new bid captures Francis' long-term value. At the same time, we are keenly aware of the downside risk for the stock if C-08 trial results are negative as the shares could trade to the low $70s." ■ "Our $92 target price is based on **21x our fully-taxed non-GAAP 2010 EPS estimate of $4.37.** We believe Francis deserves a premium to the current group average of **13x due to higher '09/'10 growth (18% vs. 15%),** numerous upcoming catalysts that could unlock growth opportunities that are rare in the large cap-biotech space and support from a potential James acquisition."
JP Morgan	06-Mar-2009	$105.00	■ "We expect over **50% of the publicly held shares to tender by the March 20th deadline, though we still expect some to retain a partial position on the upside potential from the adjuvant Avastin data expected in mid-April.** The new bid follows discussions with Francis holders over the past few weeks on what a more reasonable price would be, **though we still think this is several dollars below the price we think Francis holders were looking for – likely $95.** Overall, we think this is a much more reasonable offer, and it makes the risk-reward in holding out for the adjuvant data less compelling. That said, we recommend that Francis shareholders tender some (~75%) of their shares, but not all, given our bullish stance on C-08 and the potential of a higher price (>$93) determined by investment banks if >90% of shares tender."

Source: Wall Street research

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Research Price Targets and Key Themes

$93 Offer

Broker	Date	Price Target	Price and Financial Analysis Commentary
Morgan Stanley	09-Mar-2009	$97.00	■ "Again based on our discussions with large shareholders, there is an emerging view that this deal is inevitable (even though many may try to hold out for adjuvant Avastin data unless higher price), and given the higher value of Francis in a friendly transaction with an intact management team, a negotiated transaction represents the best possible outcome." ■ **"Deal closes after positive Avastin data in adjuvant CRC ($115 - $110):** "We believe adjuvant cancer represents a significant opportunity for Avastin, with $1.5-$2bn in colorectal and >$4bn in other cancers (breast, lung). These sales would significantly increase Francis' fair value. Assuming adjuvant success and adjusting Avastin sales accordingly we estimate Avastin in adjuvant adds >$20 in value." ■ **"Adjuvant succeeds, but James deal fails to close ($95-$100):** We still expect meaningful upside in the event that Avastin succeeds in adjuvant cancers, but the James deal fails, as the sales opportunity is significant and can drive 11% top-line growth for the next 5 years." ■ **"Adjuvant fails, but James deal succeeds ($80-$86.5):** Even in the event that adjuvant fails, we do not expect James will lower its price meaningfully below its current offer of $86.50. James has stated its intentions of completing this transaction regardless of the outcome of the upcoming adjuvant trial and has also emphasized that it sees less value than Francis in the adjuvant setting, limiting downside from failure. Furthermore, shareholders have expressed disappointment with the current offer and will be unlikely to agree to a value that is meaningfully lower." ■ **"James deal and adjuvant fail ($65 - $70):** Though we expect the initial stock reaction in this scenario will be significant, we continue to see several opportunities for growth (label expansion opportunities for nearly all key oncology products, and pipeline potential). Even in this scenario, we project top-line CAGR of 7% and expect the stock will slowly work its way back up to the $80s after an initial shock. We do not see this as a probable scenario given James' recent financing and need for Francis."

Source: Wall Street research

Goldman Sachs

Research Price Targets and Key Themes

$93 Offer

Broker	Date	Price Target	Price and Financial Analysis Commentary
Oppenheimer	06-Mar-2009	$105.00	■ "We believe the deal is **much more likely to be completed at $93/shr, although we do not believe this outcome is 100% certain. We expect Francis' independent board will deem the new offer too low.** However, with substantial recent weakness in the biotech sector, and the overall market, we **believe many shareholders may well accept this price.**"
UBS	06-Mar-2009	$100.00	■ "With this increased tender offer, **we believe that a reasonable number of investors will likely tender their shares.** We envision this to occur because with the S&P500 down greater than 20% and healthcare down significantly as well since the initial tender on Feb 9, an offer of $93/share represents a much more attractive offer than it would have in a less volatile market. Also of note, Francis has outperformed the markets by greater than 40% since James' initial bid of $89." ■ "Our price target is derived from a **1.2 PEG, a 14.6% 2008-12E EPS CAGR & 2011E EPS of $5.20 (ex-ESOs) (resulting in $90) & an additional $10 based on our expectations for the C-08 trial.**"

Source: Wall Street research

Draft – Highly Confidential

Goldman Sachs

Research Price Targets and Key Themes

$93 Offer

Broker	Date	Price Target	Price and Financial Analysis Commentary
Cowen	09-Mar-2009	-	■ "We believe James' $93/share cash offer provides a fair value to minority shareholders, and expect a majority of independently held shares to be tendered by March 20. While a successful tender would support modest upside in Francis shares, **we see $5+/share downside risk in the event the tender does not transpire. Following the cash tender, remaining minority shareholders will face binary stock performance heading into the results of Avastin's adjuvant colon cancer trial (data in April). We view Avastin as having no better than a 50% chance of success** in the NSABP-C08 study, and believe the risk/reward of owning shares into this event is no longer positive."
Jefferies	09-Mar-2009	$93.00	■ "We view $93 as reasonable on a risk/reward adjusted basis. Biotech assets have declined ~13% post-Obama budget announcement on February 26. The NASDAQ Biotech Index (NBI) and AMEX Biotech Index (NBI) have fallen ~13% and the AMEX Pharmaceutical Index (DRG) down ~10% since February 25. As such, we view $93/sh as reasonable, particularly ahead of Avastin Phase III adjuvant data release for colorectal cancer in mid-April."

Source: *Wall Street research*

Draft – Highly Confidential

Goldman Sachs

Research Price Targets and Key Themes

$93 Offer

Broker	Date	Price Target	Price and Financial Analysis Commentary
Natixis	09-Mar-2009	$97.00	■ "**We estimate that between 45% to 65% of Francis shares that James doesn't already own could be tendered at $93.00, which raises a distinct possibility that James could succeed in consummating the tender if more than half of the minority shares are tendered, but not achieve 90% of the ownership to effect a squeeze-out merger.** In this scenario (James owning between 78% and 90% of the James shares), even if the colorectal trial fails, we believe the market will view it as inevitable that James will eventually buy the remaining Francis shares. Therefore, the stock may not drop to the $60s and $70s, as it otherwise would, but rather to the $80s in anticipation of James' next move. **This would then become a self-fulfilling prophecy, in that any attempt by James to buy the remaining shares would drive Francis stock price up to the $90s. If the colorectal trial succeeds, then James would have to pay more than $100.00 to buy the remaining stock.** All taken into account, we believe it makes more sense for James to negotiate a deal with Francis and complete this deal once and for all in the near term, potentially before the March 20 tender deadline." ■ "We see a possible price range of **$95.00 to $100.00 per share.**"
Thomas Weisel Partners	09-Mar-2009	-	■ "We believe investors will be encouraged by the higher bid and expect more shareholders to tender their shares (500,000 shares tendered as of March 5). **We believe there is now a significantly higher likelihood of success of the tender given the unwillingness of many investors to hold Francis shares heading into the adjuvant data for Avastin in April.** In addition, the recent **downturn in the biotech group fueled by concerns regarding President Obama's ambitiosus proposed changes to the healthcare system has chased away many generalist investors that had invested in biotech.** The combination of these two factors could enable the James tender to succeed."

Source: Wall Street research

Draft – Highly Confidential

Goldman Sachs

Research Price Targets and Key Themes

$93 Offer

Broker	Date	Price Target	Price and Financial Analysis Commentary
Baird	06-Mar-2009	$100.00	■ "We place an Outperform rating on Francis shares. Large-cap biotech multiples have compressed in the last few quarters from a traditional range of 30-40X current-year EPS expectations. **In that we acknowledge the compressing multiples in the biotech industry (the group currently trades near 17X 2009E EPS), we apply a 26 multiple to our 2009 EPS estimate of $3.85** to derive our 12-month price target of $100."
Bernstein	06-Mar-2009	$92.00	■ "This new bid strikes us as very astute and one of the smarter things James has done through this process. It is almost at the $95 level where we would expect to see significant support for the bid, and could easily pull in a substantial number of minority investors. While it still falls materially short of the value sought by the independent directors, it does get closer to the $95-$100 range where many minority shareholders seem willing to take their gains and walk away… **Many investors are likely to view this as a bird in the hand that gives them most of the upside they would expect for adjuvant from a freestanding Francis, and protects them against the downside of adjuvant failing (30-40% chance) and/or James walking away (low probability in our view).**" ■ "Our $92 target price for Francis is based on the high likelihood we place on a deal between James and Francis being completed ($92 is the probability weighted average of our acquisition scenarios). **We now assign a 5% probability to no deal and a negative adjuvant result, and the value a year from now being $78, 20% to James walking away after a positive adjuvant colon cancer result with the stock trading in the high $80's to low $90's, 5% to the deal closing at James' original bid price of $86.50, 40% to James raising their bid to $100 in Q2 09 after positive adjuvant, and 30% to James making a revised lower bid in the $82-$83 range if adjuvant colon cancer is negative.** Our DCF analysis supports fair value for the stock today of $87.25. **Using a growth adjusted biotech/medtech multiple of 19x applied to our adjusted 2010 EPS estimate of $4.68 also supports a price in the range of $92.**"

Source: Wall Street research

Goldman Sachs

Research Price Targets and Key Themes

$93 Offer

Broker	Date	Price Target	Price and Financial Analysis Commentary
BMO	06-Mar-2009	$88.00	■ "While we strongly discouraged Francis shareholders to tender their shares when the bid was $86.50 per share, our opinion is moving toward neutral with the new bid. **After thoroughly studying Francis' R&D presentation, we do not think the new bid captures Francis' long-term value.** At the same time, we are keenly aware of the downside risk for the stock if C-08 trial results are negative as the shares could trade to the low $70s."
RBC	06-Mar-2009	$100.00	■ "At $93/share, we think that James is **much more likely to get 50% of minority owners to tender. However, it remains uncertain that James will get the 90% ownership that it needs to squeeze out the remaining minority holders.** The ongoing Avastin adjuvant trial remains a potential upside, in our view. We maintain our positive view on this trial, and assign a 65% probability of success in April. However, given the challenging equity environment and risk/reward with the adjuvant study, we believe $93 is an attractive return in this market. Assuming James had never made the offer and Francis shares had traded down with the sector (down 29% since July 2008), Francis shares would be $55-60, so the $93 bid is a substantial premium in today's market."
Rodman & Renshaw	06-Mar-2009	$90.00	■ "**We believe that minority shareholders will view this as a fair price for the company and will now tender their shares. As such we are downgrading Francis to a Market Perform rating and expect the transaction to be fully consummated within coming months.** In our view the primary risk to the deal not completing would be James' failure to secure the remaining financing required. We view this risk as very limited even in the current macro market environment."

Source: *Wall Street research*

Research Price Targets and Key Themes

Investor Day

Broker	Date	Price and Financial Analysis Commentary
BMO	03-Mar-2009	■ "We believe Francis presented a compelling argument to convince minority shareholders to not accept the current James offer of $86.50. Francis' probability adjusted revenue expectations for Avastin in adjuvant setting are basically in line with our risk-adjusted present value expectation of roughly $5 billion. Moreover, Francis presented a strong argument for reasonable growth from non-adjuvant indications in case the C-08 trial is negative." ■ "Probability adjusted based on **61% C-08 success ($100) and 75% probability of another James offer at 15% premium of negative C-08 price ($63).**"
Deutsche Bank	03-Mar-2009	■ "Overall, **the meeting did little to change our overall opinion that most investors will tender their shares AHEAD of the adjuvant data IF JAMES BUMPS THE BID INTO THE LOW/MID-$90s.** If James doesn't budge from its current level, we see little chance the tender is successful. In the end, the adjuvant colon data remains a watershed valuation event, and investors will need to decide if they can tolerate the short/intermediate term volatility that a negative outcome could create. However, yesterday's analyst meeting should provide additional comfort that Francis' long term value goes well beyond this single trial."
Lazard	03-Mar-2009	■ "At yesterday's investor meeting we believe management made a compelling case for a higher valuation. In our opinion the current market capitalization does not adequately reflect the company's future prospects, especially given the large number of growth drivers for the company." ■ "Our $98 price target derives from a **24x multiple applied to our 2Q09-1Q10 non-GAAP EPS estimate of $4.13**, excluding stock option expense. **Our 24x multiple is based on a 1.4 P/E/G ratio multiplied by our long-term (2008-2011) growth rate estimate of 17%.**"

Source: Wall Street research

Goldman Sachs

Research Price Targets and Key Themes

Investor Day

Broker	Date	Price and Financial Analysis Commentary
Piper Jaffray	03-Mar-2009	▪ "We note that our valuation implies that **Francis as a standalone company is still worth $89 even if adjuvant fails, and that speculated downside into $60s on adjuvant failure appears unjustified,** even if you minimize the difficult-to-value pipeline component and base the valuation purely on the free cash flow" ▪ "We are maintaining our Buy rating. **Our $112 target is based on a sum-of-the-parts DCF analysis (base business $60 + Avastin adjuvant $18 + cost synergies $5 + pipeline $27 flow generation from the base business alone.**"
Baird	02-Mar-2009	▪ "We come away from Francis' investor day encouraged by management's robust depiction of the long-term growth outlook, and believe management's defense of the 2008 Financial Plan will keep investors holding out for a higher James takeout offer. With Avastin C-08 data quickly approaching, we think a higher James offer is imminent, and remain buyers of Francis shares into the $100 range." ▪ "We place an Outperform rating on Francis shares. Large-cap biotech multiples have compressed in the last few quarters from a traditional range of 30-40X current-year EPS expectations. In that we acknowledge the compressing multiples in the biotech industry (the group currently trades near 17X 2009E EPS), **we apply a 26 multiple to our 2009 EPS estimate of $3.85 to derive our 12-month price target** of $100."

Source: *Wall Street research*

Exhibit (e)(25)

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN RE GENENTECH, INC.	:	CONSOLIDATED
SHAREHOLDERS LITIGATION	:	CIVIL ACTION NO. 3911-VCS

<u>SECOND STIPULATION AND AGREEMENT RESOLVING CERTAIN ISSUES</u>

WHEREAS, on February 9, 2009, Roche Investments USA Inc. (collectively, with Roche Holdings, Inc. and its subsidiaries and affiliates, “Roche”) announced a cash tender offer for all of the outstanding publicly held shares of Genentech, Inc. (“Genentech”) at $86.50 per share (as amended, the “Offer”) and filed a Schedule TO with the Securities and Exchange Commission;

WHEREAS, on February 19, 2009, co-lead plaintiffs Alameda County Employees’ Retirement Association, City of Edinburgh Council as Administering Authority for the Lothian Pension Fund, and Montgomery County Employees’ Retirement Fund (“Plaintiffs”) filed a motion seeking to preliminarily enjoin Roche from taking any action to consummate the Offer (the “Motion”);

WHEREAS, on March 6, 2009, Roche announced that it had increased the Offer price from $86.50 per share to $93.00 per share and extended the expiration of the Offer until midnight, New York City time, on March 20, 2009;

WHEREAS, on March 9, 2009, a hearing was held on the Motion (the “Hearing”), and the Court reserved decision pending further information from counsel as stated on the record;

WHEREAS, after the Hearing, counsel prepared language (attached hereto as Exhibit A, "Supplemental Disclosures") to be included in an amendment to its Schedule TO;

NOW, THEREFORE, it is hereby stipulated and agreed, by and among the undersigned parties, through counsel, as follows:

1. Counsel for Plaintiffs and the Special Committee, on behalf of their respective clients, have reviewed the Supplemental Disclosures and agree that those disclosures and procedures described therein, which Roche and the Special Committee hereby agree to implement, moot Plaintiffs' application for preliminary injunctive relief.

2. Roche agrees to publish the Supplemental Disclosures and this Stipulation, in accordance with any applicable SEC reporting guidelines, to Genentech's stockholders as soon as reasonably practicable after the Court shall enter the Stipulation as an order of the Court.

3. Counsel for Plaintiffs, Roche, and the Special Committee agree, on behalf of their respective clients, that the appraisal or quasi-appraisal procedure outlined in the Supplemental Disclosures (whichever applicable) will moot issues Plaintiffs have raised concerning the efficacy of appraisal rights in light of Roche's proposed short-form merger and the banker valuation described in the Affiliation Agreement.

4. Plaintiffs withdraw their Motion.

5. Counsel for Plaintiffs and Roche agree that Roche's counsel will consult with Plaintiffs' counsel regarding the contents of disclosures made to stockholders regarding appraisal rights and quasi-appraisal rights.

6. Counsel for Plaintiffs, Roche, and the Special Committee, on behalf of their respective clients, agree that, except as specifically provided herein, the parties have not waived and shall not be deemed to have waived, any claims or defenses available to them.

BY DEFENDANTS:

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SO ORDERED this 11th day of March 2009

/s/ Vice Chancellor Leo E. Strine, Jr.

Vice Chancellor Leo E. Strine, Jr.

Exhibit A

<u>Supplemental Disclosures to be Incorporated</u>
<u>into Amendment to Roche' s Schedule TO</u>

I. Genentech as Surviving Corporation

In the event of a short-form merger following consummation of the Offer, Roche Investments USA Inc. shall be merged with and into the Company, the Company shall be the surviving corporation in the merger, and the members of the existing Special Committee shall continue as directors of the surviving corporation.

II. Special Committee to Select and Monitor Banker Valuation Process Subsequent to a Short-Form Merger

Roche and the Special Committee agree that, in the event that Roche owns 90% or more of the Company' s stock following consummation of the Offer, the Special Committee shall continue in existence, subsequent to the consummation of a short-form merger, with its current composition at least until the Banker Valuation is complete and such information is communicated to the Company' s former stockholders who did not tender their Shares in the Offer. In the event of a vacancy in the Special Committee, such vacancy shall be filled by the members then serving on the Special Committee.

The Special Committee shall have the exclusive power to select and retain two Investment Banks meeting the standards set forth in the Affiliation Agreement on such terms and conditions as the Special Committee in its sole and reasonable discretion deems appropriate. The Special Committee shall have the exclusive power to direct and supervise the Investment Banks in the performance of the Banker Valuation contemplated by the Affiliation Agreement.

The Special Committee shall have the power to retain and compensate, on reasonable terms and conditions acceptable to the Special Committee, at Roche' s expense, such advisors, including legal advisors and one or more consultants to assist the Investment Banks with regard to non-financial issues in connection with the valuation, as the Special Committee deems appropriate to assist it in discharging its responsibilities in connection with the Banker Valuation. Roche shall pay any reasonable fees and expenses of legal counsel, and other consultants or advisors, including the Investment Banks, retained by the Special Committee upon presentation to Roche of summary statements approved by the Special Committee.

Roche and the Company shall cooperate, and shall cause the Company to cooperate, with the Special Committee to provide access to such personnel, information and materials, including, without limitation, the books, records, projections and financial statements of the Company and any documents, reports or studies pertaining to the Banker Valuation as may be useful or helpful in the discharge of the Special Committee' s and the Investment Banks' duties.

The Special Committee shall have the exclusive power to determine the contents of the notice of the outcome of the Banker Valuation process, and shall cause the Company or Roche, as appropriate, to distribute such notice to the record and beneficial holders of stock of the Company as of the effective time of the merger. The results of the Banker Valuation shall be reported within 10 business days of the completion of the Banker Valuation, along with instructions on how the record and beneficial holders of stock of the Company as of the effective time of the merger may collect any incremental payment to which they are entitled as a result of the Banker Valuation, or how they may perfect appraisal rights or the quasi-appraisal rights described below.

In connection with the foregoing, the individual members of the Special Committee shall be compensated for their work on the same basis as they are currently compensated for their service on the Special Committee.

Roche and the members of the Special Committee agree that the individual members of the Special Committee and Roche are bound and shall continue to be bound by fiduciary duties of care and loyalty and/or contract, as appropriate, to the record and beneficial holders of stock of the Company as of the effective time of the merger after the short-form merger with respect to the Banker Valuation.

III. Statutory Appraisal Rights and Equivalent Quasi-Appraisal Rights

Roche agrees that, if it owns 90% or more of the Company' s outstanding stock following consummation of the Offer, all remaining Company stockholders at the time of the short-form merger will be entitled to receive, upon transmittal of their Shares, a prompt cash payment equal to the price paid in the Offer. The receipt of that payment will not prejudice such stockholders' rights to appraisal under DGCL § 262 or an equivalent quasi-appraisal right. Former stockholders of the Company that did not tender their Shares in the Offer will be, under all circumstances, entitled to retain the cash payment that they received at the time of the short-form merger without prejudice to their rights to pursue appraisal or quasi-appraisal. Accordingly, no minority stockholder of the Company will receive less than the Offer price for their Shares.

Roche further agrees that the former minority stockholders of the Company who did not tender their Shares in the Offer and who desire to seek a statutory appraisal right or assert an equivalent quasi-appraisal right will be able to exercise such a right by notifying the Company of their intent to do so within 20 days after the mailing of the notice containing the results of the Banker Valuation. The notice of appraisal rights required by DGCL § 262 and the notice of the Banker Valuation will provide instructions on exercising statutory appraisal rights or equivalent quasi-appraisal rights, including all deadlines applicable to statutory appraisal rights and equivalent quasi-appraisal rights. Former Company stockholders who do not pursue appraisal rights or quasi-appraisal rights will receive the amount, if any, by which the Banker Valuation exceeds the Offer price.

Roche (and, assuming Roche owns the entire equity interest of the Company, the Company) agrees to submit to the exclusive jurisdiction of the Delaware Court of Chancery for the resolution of any quasi-appraisal right. Roche (and, assuming Roche owns the entire equity interest of the Company, the Company) agrees that the valuation standard to be applied to, and the interest to be awarded on, any quasi-appraisal right will be the same as is applied to appraisal actions arising under DGCL § 262.

March 12, 2009

VIA EDGAR

Securities and Exchange Commission

Division of Corporation Finance
100 F Street, N.E.
Washington, D.C. 20549
Attention: Julia E. Griffith
Special Counsel
Office of Mergers and Acquisitions

Re: **Genentech, Inc.**
Schedule 14D-9 filed February 23, 2009
Amendment No. 1 to Schedule 14D-9 filed February 24, 2009
Amendment No. 2 to Schedule 14D-9 filed March 2, 2009
Amendment No. 3 to Schedule 14D-9 filed March 3, 2009
File No. 5-32488

Ladies and Gentlemen:

We refer to Ms. Griffith' s letter dated March 6, 2009 which sets forth the comments of the staff of the Securities and Exchange Commission (the "*Staff*") regarding the Schedule 14D-9 and related amendments (the "*Schedule 14D-9*") of Genentech, Inc. (the "*Company*" or the "*Registrant*"). On behalf of the Company, please find our responses to the Staff' s comments below. For your convenience, we have copied each of the comments in Ms. Griffith' s letter immediately preceding our response thereto.

Schedule 14D-9 filed February 24, 2009

General

1. **Please review the offer materials generally to avoid the use of scientific terms without appropriate explanatory language. For example, what are "follow-on biologics" (page 33), and what is "an adjuvant setting" (page 25)?**

We note the Staff' s comment and have revised the Schedule 14D-9 in Amendment No. 5 to explain scientific terms, including "follow-on biologics," "NMEs" and "an adjuvant setting."

2. In response to Item 1005(d) of Regulation M-A, disclose any conflicts of interest between the board and officers of Genentech, the members of the Special Committee, and Roche.

We note the Staff' s comment and have revised the Schedule 14D-9 in Amendment No. 5 to include in Item 3 a new section which describes the conflicts of interest between the Company' s executive officers and directors, including members of the Special Committee, and Roche. Please see "Conflicts of Interest between the Company' s Executive Officers and Directors, Including Members of the Special Committee, and Roche" in Item 3.

3. As the filing person on the Schedule 14D-9 and the target company that is the subject of a tender offer, Genentech must make and support a recommendation on the tender offer. See Item 1002 of Regulation M-A. Throughout the offer materials, your disclosure generally speaks of the recommendation of the Special Committee rather than of the Company. Although Genentech may delegate to the Special Committee the responsibility of taking a position on the offer, it must be clear from the disclosure that such recommendation is made on behalf of the Company. Please revise.

We note the Staff' s comment and have revised the Schedule 14D-9 in Amendment No. 5 to specify that the recommendation is made on behalf of the Company.

<u>The Solicitation or Recommendation, page 12</u>

4. The Special Committee concluded that the Roche Enhanced Anti-Dilution Amendment had a value to Roche. Explain the basis for the Special Committee' s valuation, including any financial data, projections or assumptions that led the Special Committee to its understanding of the value of the Anti-Dilution Amendment. Tell us whether the Special Committee quantified the value of the Anti-Dilution Amendment, and if so, explain the basis for its conclusion and quantify the value.

We note the Staff' s comment and have revised the "Background of the Offer" in Item 4 of Schedule 14D-9 in Amendment No. 5 in response to the Staff' s comment.

<u>Efforts to Improve the $89.00 per share proposal, page l8</u>

5. On page 18, you discuss Goldman Sach' s request to Roche that it explore potential alternative transaction structures and forms of consideration, including a contingent value component based on the results of the Company' s Avastin C-08 clinical trial in the consideration. Provide greater detail concerning these discussions, including what other alternative structures were considered and suggested to Roche or its representatives and what reasons, if any, Roche gave for rejecting this proposal.

We note the Staff' s comment and have revised the "Background of the Offer" in Item 4 of the Schedule 14D-9 in Amendment No. 5 accordingly. We supplementally advise the Staff that the principal other alternatives Goldman Sachs suggested were the use of Roche equity as all or part of the consideration, an increase in Roche' s ownership of the Company and extension of the Commercialization Agreement, and potential spin-off transactions. However, as these alternatives were immediately rejected by Roche, the Company feels disclosure of these structures does not add meaningful disclosure to stockholders and could potentially be misleading by giving the impression that these were viable alternatives in the negotiation.

6. **Provide greater detail concerning the August 21, 2008 meeting. Briefly describe the discussions that took place between the financial representatives, and in particular, include the substance of Roche' s discussion regarding the assumptions and estimates that supported their bid.**

We note the Staff' s comment and have revised the "Background of the Offer" in Item 4 of the Schedule 14D-9 in Amendment No. 5 in response to the Staff' s comment.

7. **We note the reference to Dr. Humer' s statement that maintaining the current ownership structure of the company was "not an option from Roche' s perspective." Please revise to include any reasons that Dr. Humer gave for this position, as well as any questions about it that Dr. Levinson asked.**

We supplementally advise the Staff that Dr. Humer did not provide reasons for his position and Dr. Levinson did not ask any questions about Dr. Humer' s statement.

8. **Explain what alternative transaction structures Goldman Sachs proposed to Roche that would yield enhanced shareholder value at the October 2, 2008 meeting.**

We supplementally advise the Staff that the proposals made by Goldman Sachs were similar to those set forth in the answer to comment 5. For the reasons stated in our response to comment 5, we do not believe inclusion of those alternative structures provides meaningful disclosure to stockholders.

9. **Refer to the discussion of the November meetings between Goldman Sachs and Greenhill on page 21. Summarize the key differences between the financial models used by Goldman and Greenhill, respectively.**

We note the Staff' s comment and have included disclosure about the differences between the 2008 Financial Plan used by Goldman Sachs and the 2007 LRP used by Greenhill in the section titled "−2008 Financial Plan−2008 Financial Plan Based on Most Current Information" in Item 4. We supplementally advise the Staff that Amendment No. 5 to the Schedule 14D-9 submitted to the Staff contemplates a negotiated transaction at $95 per share. We have included in

Amendment No. 5 to the Schedule 14D-9 a summary of Goldman Sachs financial analysis supporting the Revised Offer and the Merger. Roche' s Schedule TO will contain Greenhill' s financial analysis also supporting the Revised Offer and the Merger.

Updates of the 2008 Financial Plan, page 28

10. You disclose that on February 22, 2009, management informed the Special Committee that it had reviewed developments in the business of Genentech since October 2008 and that it advised the Special Committee that "the Company' s financial outlook had not materially changed in the aggregate since that time." Explain this statement, given the significant deterioration in the global financial markets and economic conditions generally since that time.

We supplementally advise the Staff that in the Company' s experience, pharmaceutical and biotechnology companies are typically unharmed or less harmed by economic downturns. This is attributable to the inelastic nature of demand for these companies' products, in particular for the unique products that Genentech develops and sells, many of which have been demonstrated to save or extend lives, and the presence of third party payors such as Medicare and insurance. While the Company cannot predict with certainty the effect of future healthcare legislation, the Company does not currently expect the proposals put forward by President Obama' s administration, which do not amend Medicare Part B in a manner that would significantly harm the Company' s sales, to have a significant negative impact on its business. In addition, the Company has not historically, and does not currently, rely on the credit markets for a material portion of its financing needs. Finally, the Company' s financial plan covers a period of over 16 years into the future, so even if some impact due to current economic conditions is forecasted, it would not necessarily have a significant effect on the Company' s long term prospects.

As an example, aggregate U.S. sales (a significant driver in the Company' s financial performance) for 2009-2020 were forecasted in February 2009 to be only 0.5% lower than the forecast for the same period made in October 2008. For the first quarter of 2009, the Company' s business is on track with its forecast to show approximately 10% growth over the first quarter of 2008.

11. You state on page 29 that "The 2007 LRP has not been generally updated since its preparation in November 2007 and there have been a number of important developments in the business during the approximately 15 months since the 2007 LRP was prepared." Describe in detail each of these developments, and how they impact the validity of the 2007 LRP and the Special Committee' s reliance on it. In particular, explain any assumptions underlying the 2007 LRP and state whether (and why) any of

the assumptions is no longer valid. Discuss the decline in the market value of the company' s stock, the market for pharmaceutical products worldwide, and the impact that the changing regulatory and insurance environment for healthcare may have on the validity and applicability of the 2007 LRP. For each change, explain whether the difference would result in a lower or higher valuation for the company.

We advise the Staff that we have revised the disclosure in the section titled "−2008 Financial Plan−Updates of the 2008 Financial Plan" in the Schedule 14D-9 in Amendment No. 5 in response to the Staff' s comment to indicate the changes underlying the 2007 LRP compared to the 2008 Financial Plan and we have identified for each change whether the impact on future cash flows was positive or negative. We supplementally advise the Staff, as described in detail in the answer to comment 10, that in the Company' s experience, pharmaceutical and biotechnology companies are typically unharmed or less harmed by economic downturns and therefore the economy, as well as the other factors indicated in the Staff' s comment, were not significant components in the difference between the 2007 LRP and the 2008 Financial Plan.

12. You summarize the 2008 Financial Plan on page 30. Detail all of the material assumptions underlying the 2008 Financial Plan and any limitations on these assumptions. Although some assumptions are described on page 32, it is not clear that these represent all of the material underpinnings for the 2008 Plan.

We advise the Staff that we have revised the disclosure in the section titled "−2008 Financial Plan" in the Schedule 14D-9 in Amendment No. 5 in response to the Staff' s comment to disclose all of the material assumptions underlying the 2008 Financial Plan.

13. You discuss the impact of the Avastin trials at the top of page 35. Expand your disclosure to include the impact of the revised timetable for the clinical trials related to that drug. How did the Special Committee consider the earlier release of the Avastin results in its approach to negotiations with Roche? Was this a subject of discussions between the parties? If so, how did it factor into the negotiations?

We advise the Staff that we have included additional disclosure regarding the timetable for clinical trial results related to Avastin in Item 7, including information regarding the impact of the Avastin timetable on the Company' s negotiations with Roche. In response to comment 11, we have also revised the disclosure to indicate the accelerated timing of the Avastin trials was a principal positive factor in the sales forecast contained in the 2008 Financial Plan relative to the 2007 LRP. The Company' s disclosure clearly indicates the Special Committee' s approach to its deliberations and negotiations with Roche was consistently that the most recent financial model, the 2008 Financial Plan, be used as the basis for valuation. As indicated in the Company' s disclosure, the 2008 Financial Plan includes the Company' s best estimate of Avastin revenues, adjusted for the probability of technical success (PTS) based on all available data to the Company at the time of the 2008 Financial Plan, including the Company' s knowledge of the timing of the unblinding of the results of the Avastin C-08 trial.

Effective Tax Rates, page 35

14. In the first paragraph in this section, you reference "several factors" (in addition to the initiation of commercial production in Singapore) that will reduce the Company' s effective tax rate. Disclose the other factors which you believe will lead to the reduced tax rate.

We have revised the disclosure in the section titled "−2008 Financial Plan−Roche' s Disagreements with the 2008 Financial Plan−Effective Tax Rate" in Amendment No. 5 to the Schedule 14D-9 in response to the Staff' s comment. We supplementally advise the Staff, that as disclosed in Amendment No. 5 to the Schedule 14D-9, that subsequent to the 2008 Financial Plan, the adoption of the single sales factor for California tax purposes has the potential to further reduce the Company' s effective tax rate.

Opinion of Goldman, Sachs and Co., page 32

15. In making its recommendation that shareholders reject Roche' s offer, the Special Committee, on behalf of the Company, considered the fact that Goldman Sachs deemed the offer consideration inadequate. Given the fact that the Company' s recommendation rests in part on the Goldman opinion, and your reliance on the Company' s future prospects generally in rejecting an offer at a premium to the Company' s current per share trading price, we believe the analyses underlying the Goldman opinion may be material and should be described for shareholders. In addition, any non-public forecasts and projections provided by Genentech to Goldman in its analyses should also be disclosed. Please revise.

In response to the Staff' s comment, we have included in the Schedule 14D-9 in Amendment No. 5 a description of the financial analysis underlying Goldman Sachs' fairness opinion related to the Revised Offer and the Merger. We supplementally advise the staff that Goldman Sachs relied on the 2008 Financial Plan, together with the 2008 Financial Plan Update and forecasts described in "−2015 Commercialization Agreement and Employee Stock Assumptions; Forecasted Cash Balances." As disclosed in Amendment No. 5 to the Schedule 14D-9, all non-public forecasts and projections provided to Goldman Sachs by the Company have been disclosed in Amendment No. 5 to the Schedule 14D-9.

16. See the last comment above. To the extent you disclose any non-public forecasts or projections, please describe the underlying assumptions, as well as the material limitations on those figures. In addition to the original Schedule 14D-9 filed in February 24, 2009, amendment no. 2 filed on March 2, 2009 contains numerous projections and forecasts concerning future sales volume for Avastin and other figures.

We have revised the disclosure in the section titled "−2008 Financial Plan" in Amendment No. 5 to the Schedule 14D-9 in response to comment 12 to indicate the key assumptions underlying the creation of the 2008 Financial Plan. Additionally, we have revised the disclosure to indicate the key assumptions underlying the 2007 LRP. As indicated in our response to comment 15, all of the projections and forecasts relied upon by the Special Committee and Goldman Sachs are disclosed in the Schedule 14D-9. In addition, in the section entitled "Roche' s disagreements with the 2008 Financial Plan" under Item 4 the Company provides an extensive discussion of each of the factors with which Roche had disagreement with the Company' s forecast.

Goldman Sachs Reports, Projections and Forecasts

In response to our conversions with the Staff, we supplementally advise the Staff that we have filed as exhibits to Amendment No. 5 of the Schedule 14D-9 all reports, opinions or appraisals the Special Committee received from Goldman Sachs that are materially related to the Revised Offer as contemplated by Item 1015 of Regulation M-A. In addition, we respectfully advise the Staff that all material non-public projections and forecasts relied upon by Goldman Sachs that were provided by the Company have been disclosed in Amendment No. 5 to the Schedule 14D-9.

In response to the Staff' s request, the Company acknowledges the following:

The Company is responsible for the adequacy and accuracy of the disclosure in the filings;

Staff comments or changes to disclosure in response to Staff comments do not foreclose the Commission from taking any action with respect to the filing; and

The Company may not assert Staff comments as a defense in any proceeding initiated by the Commission or any person under the federal securities laws of the United States.

If you have any questions, please do not hesitate to call me at (650) 565-3514.

Very truly yours,

Wilson Sonsini Goodrich & Rosati
Professional Corporation

/s/ Bradley L. Finkelstein
Bradley L. Finkelstein